



**LUCAPA DIAMOND COMPANY LIMITED (ASX: LOM)
QUARTERLY REPORT FOR PERIOD ENDED 31 MAY 2013**

HIGHLIGHTS

Lulo Diamond Concession, Angola

- **Highest priority kimberlite (Se251) identified at Lulo from new aeromagnetic survey. With an estimated surface area of ~150 hectares, Se251 is potentially the largest kimberlite discovered within the Lulo diamond concession**
- **Se251 becomes the focus of an extensive new drilling, excavation and diamond sampling program. Eight widespread core holes drilled to date within Se251 all confirm kimberlite**
- **Four diamonds weighing 7.95 carats at a grade of 30.58 carats per 100m³ recovered from new area of diamondiferous gravels discovered near the Se046 kimberlite target**
- **New 50 tonne per hour Dense Media Separation diamond plant arrives on site at Lulo**
- **New aeromagnetic survey over more than 2000km² at Lulo identifies multiple new kimberlite targets in addition to Se251**
- **Joint venture partner Endiama recommends to the Angolan Minister of Geology and Mines that Lucapa's kimberlite exploration licence be extended for a further two years until June 2015**



Alluvial diamonds recovered near the Se046 kimberlite target

OVERVIEW

Lucapa Diamond Company (ASX: LOM) is exploring for diamonds at 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 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 world class alluvial diamonds of up to 131.4 carats recovered by Lucapa from within the Lulo concession.

This program has now been advanced to a point where kimberlite Se251 has become the focus of the Company's drilling efforts. With an estimated surface area of ~150 hectares, Se251 is potentially the largest kimberlite discovered within the Lulo concession.

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.



Drilling at Se251 kimberlite

NEW AEROMAGNETIC SURVEY

A new aeromagnetic survey completed at Lulo during the Quarter was successful in producing multiple new kimberlite targets (Figures 1, 2 and 3). The most significant of these is kimberlite Se251, which has become the Company’s highest priority target and the focus of the Lucapa’s diamond exploration and evaluation efforts.

The regional aeromagnetic survey flown by Fugro Airborne Surveys covered the two-thirds (2000km²) of the Lulo concession in the north and eastern regions which were not flown in the original 2008 survey.

Fugro also re-flew a 70km² strip within the concession covering the main alluvial workings on the Caculo River. Interest in this strip, which was not adequately covered during the initial 2008 survey, has increased significantly with the discovery by Lucapa of large gem-quality alluvial diamonds in the area.

The survey data revealed eight new magnetic targets in the 70km² area of interest, with Se251 the most significant.

With a potential surface area of ~150 hectares, Se251 is potentially the largest kimberlite identified to date within the Lulo concession.

Se251 is located between Lucapa’s camp and Dense Media Separation (DMS) diamond plant sites (Figure 1). This enhances its potential because Lucapa has previously recovered large gem-quality alluvial diamonds from within this area.

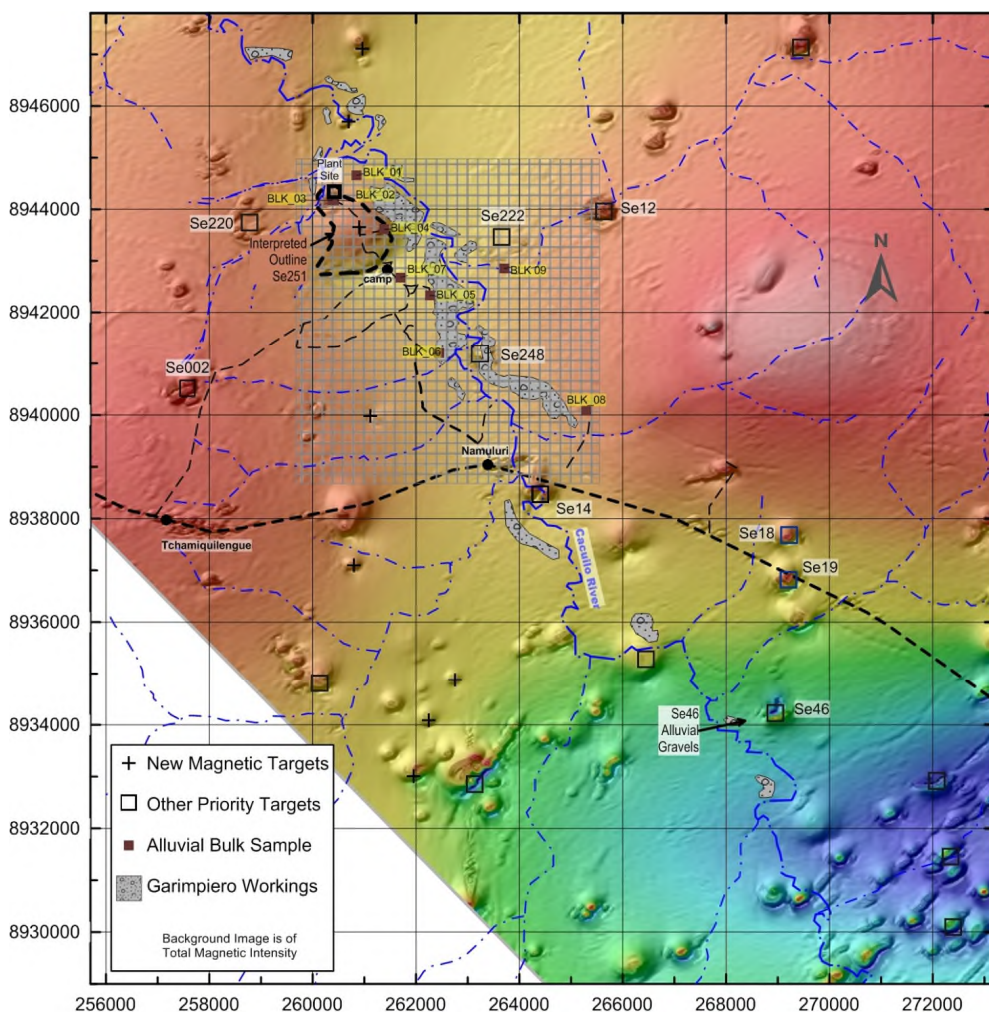


Figure 1: New kimberlite targets from aeromagnetic survey near alluvial diamond areas

While interpretation of the new regional aeromagnetic data from the northern and eastern sections of the Lulo concession is continuing, a number of significant new regional targets have been identified with magnetic signatures which are consistent with known kimberlites.

These targets are concentrated along the eastern margin of the survey area. There is evidence of garimpeiro (artisanal miners) activity in creek systems that drain some of the magnetic targets.

Figure 3 provides an image showing merged data from both the 2008 and 2013 aeromagnetic surveys, which together cover the entire 3000km² Lulo concession.

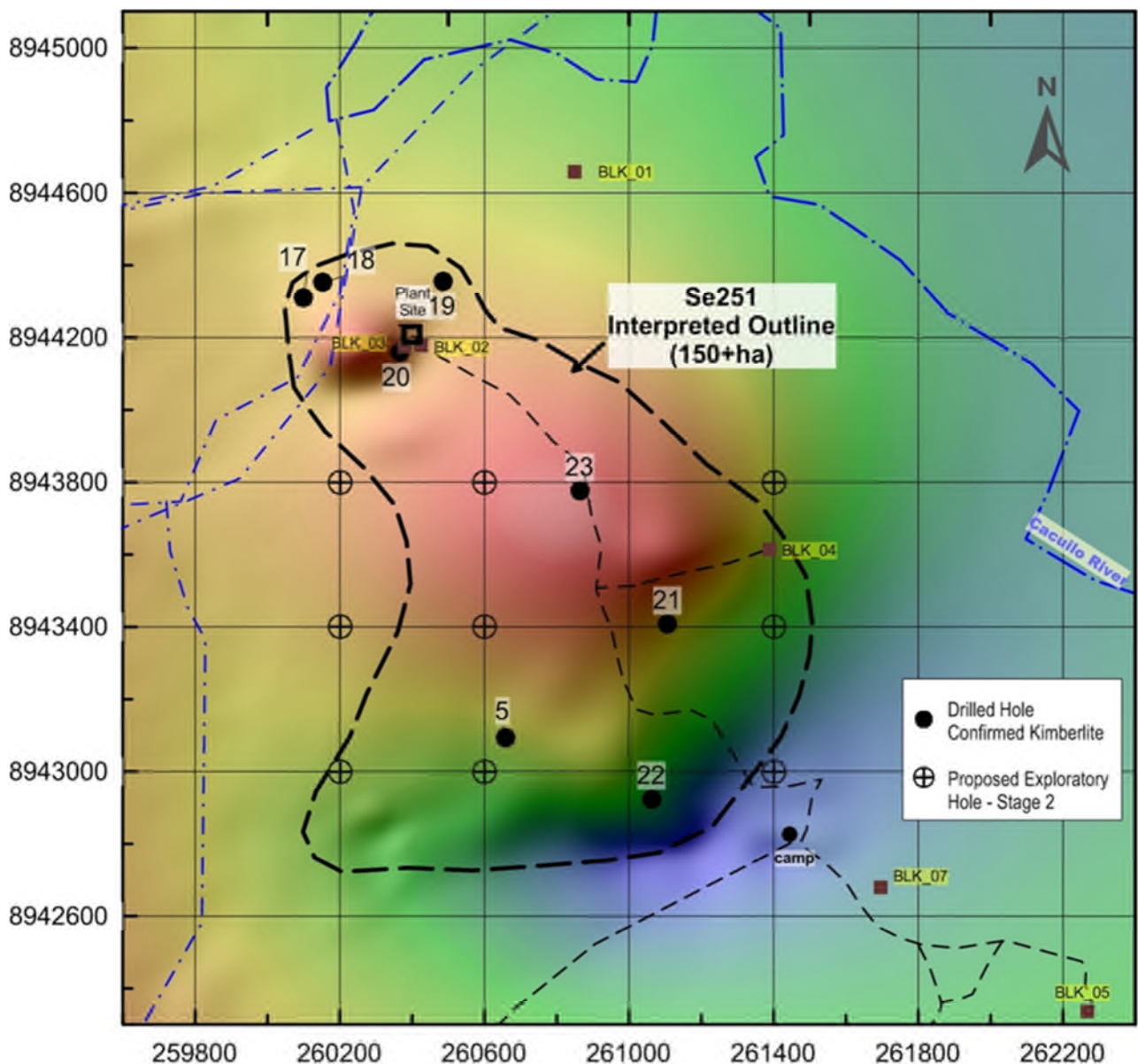


Figure 2: Exploration program at kimberlite Se251

KIMBERLITE DIAMOND PROGRAM

Lucapa commenced its kimberlite drilling and excavation program in late 2012, initially targeting more than 60 priority kimberlite targets within the Lulo concession which were identified from the original aeromagnetic survey flown over one-third of the concession in 2008.

The kimberlite drilling program is being conducted by Bauer Technologies using a Prakla rig. This specialist rig can drill both narrow diameter (diamond) core holes to confirm the presence of kimberlite and wider-diameter (reverse circulation) holes to extract small bulk samples for treatment through Lucapa’s Dense Media Separation (DMS) diamond plant.

The drilling program aims to find the kimberlite source, or sources, of the world-class diamonds of up to 131.4 carats recovered from Lucapa’s alluvial operations at Lulo.

The data from the new aeromagnetic survey completed by Fugro saw Lucapa expand its list of kimberlite targets during the Quarter, including the Se251 kimberlite.

After identifying Se251 as its highest priority kimberlite target, Lucapa commenced a systematic drilling and sampling program during the Quarter to evaluate the pipe.

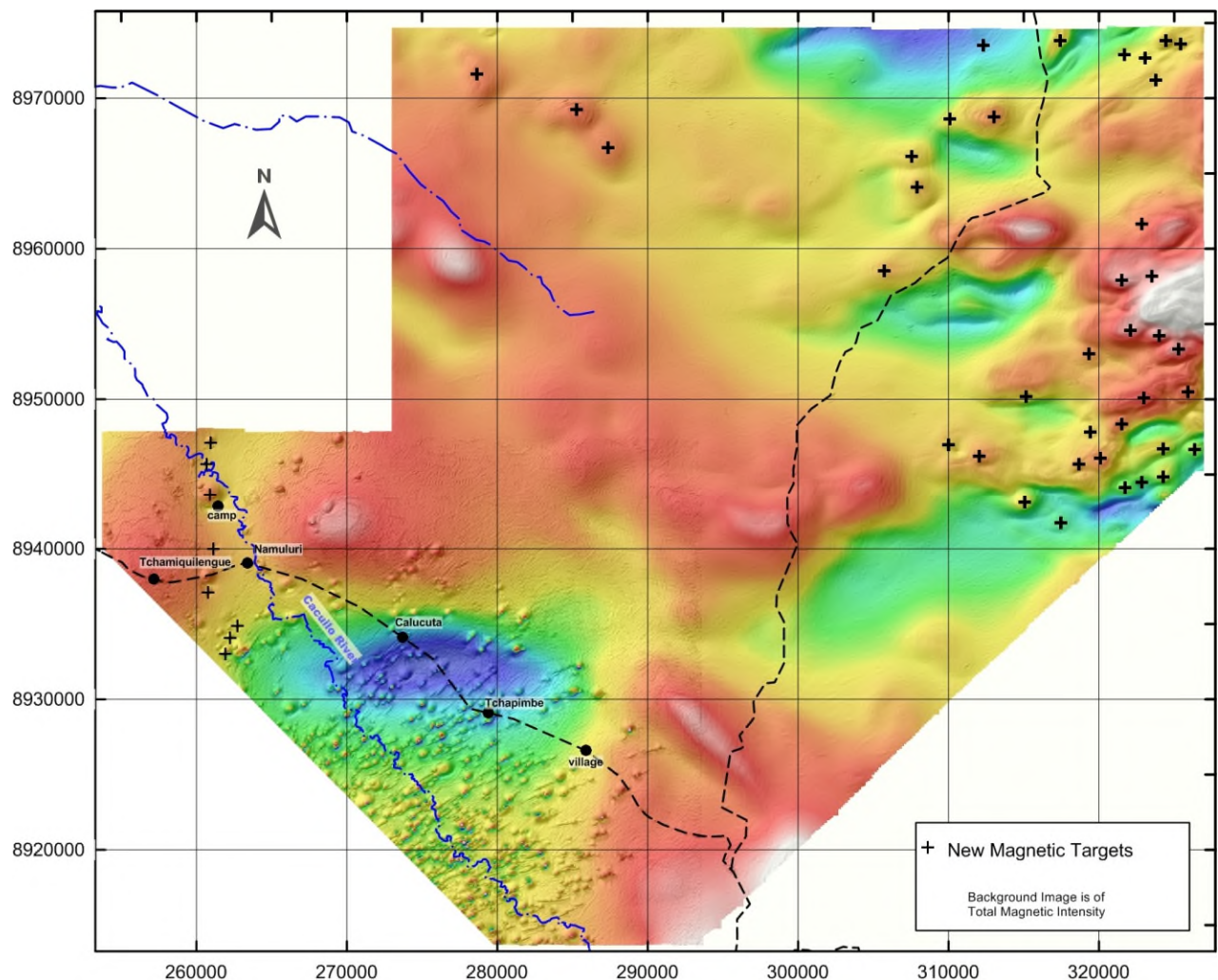


Figure 3: Combined aeromagnetics highlighting new kimberlite targets

Significantly, all eight core holes drilled into Se251 to date have intersected kimberlitic material (Figure 2).

The drilling program is designed to establish the approximate size of the kimberlite and its internal geometry. This is necessary because the preliminary data from Se251 is insufficient to determine whether the magnetic target represents a single large kimberlite, or a series of closely spaced smaller pipes.

In any event, a kimberlite of this size (~150ha) will most likely have been formed by a number of discrete eruptive phases.

The evaluation of kimberlites formed as the result of multiple eruptive phases is complicated by the fact that each of the phases is likely to have its own diamond population. The populations can vary in both grade and diamond characteristics.

Lucapa is about to follow up the Company's initial drilling program at Se251 with a 400x400m grid drilling program to define near-surface geometry and lithological variation. This grid drilling program will involve approximately nine diamond core holes, the proposed locations of which are shown in Figure 2.

A bulk sampling program involving both large diameter drilling and surface sampling to establish diamond grade variation will be undertaken once the grid drilling program is completed and the results assessed.

During the Quarter, Lucapa also drilled two large diameter holes adjacent to the site of core hole 21. Approximately 24m³ of material was recovered from these holes and processed through the Company's DMS plant. No diamonds were recovered from this sample.

Because of the large average diamond size reported from Lulo it is unlikely that the sample processed was large enough to be considered representative. For this reason, Lucapa plans to use an excavator to extract larger surface samples from the Se251 kimberlite to test for diamonds.

Earlier in the Quarter, core drilling was also undertaken on regional kimberlite targets Se46 and Se83-84. Kimberlite was identified at both locations. Bulk sampling is planned for these kimberlites once work on Se251 is completed.

In addition, Lucapa also reviewed the core holes previously drilled into targets Se220, Se223 and Se002. These were previously reported as not intersecting kimberlite. However, following a detailed geological review, kimberlitic sediments of probable crater-lake origin were recognised in core from all holes. It is expected that additional core drilling will be undertaken on these targets at a later date with the aim of locating coarser kimberlitic material suitable for bulk testing through the Company's DMS diamond plant.

A complete summary of work completed on all kimberlites showing results to date is presented as Table 1. The locations of the various targets are shown in Figure 1.

Table 1: Summary of work on kimberlite targets at Lulo

Anomaly	Core Drilling Status	Bulk Sampling Status	Proposed Future Work
Se012	One hole drilled - Confirmed Kimberlite	3 LDD holes for 22.1m ³ . Processed - no diamonds recovered	No further work planned at this stage
Se222	Three holes drilled - Confirmed Kimberlite	Surface bulk sample from south rim of pipe 31.2m ³ . Processed - no diamonds recovered	No further work planned at this stage
Se223 / Se251	A review of core indicates kimberlitic sandstone in the upper 25m of the hole. Shale basement below	Considered part of Se251 - Bulk sampling planned	Se223 located in the western section of Se251.
Se002	A review of core indicates that the core comprises fine grained kimberlitic crater sediment.	-	Additional drilling proposed to locate coarser kimberlitic material for sampling
Se220	A review of core indicates that the core comprises fine grained kimberlitic crater sediment.	-	Additional drilling proposed to locate coarser kimberlitic material for sampling
Se018	One hole drilled - Confirmed Kimberlite	2 LDD holes for 25m ³ . Processed - no diamonds recovered	No further work planned at this stage
Se019	One hole drilled - Confirmed kimberlite	Surface sample of 98.4m ³ . One diamond weighing 0.6ct recovered	Additional sampling proposed
Se046	One hole drilled - Confirmed kimberlite	-	Bulk sampling planned
Se083-84	Five holes drilled - Confirmed kimberlite	-	Bulk sampling planned
Se251	Eight core holes drilled with kimberlitic material confirmed in all holes	LDD hole with 24m ³ of material processed - no diamonds recovered	Additional drilling and sampling proposed to define the size and shape of this very large kimberlite.

Processing of the bulk sample collected from kimberlite target Se019 was also completed during the Quarter. A surface sample of 98.4m³ was processed through the DMS plant and one diamond weighing 0.6 carats was recovered. This is the first commercial sized diamond recovered from Lucapa's kimberlite sampling program. The Company believes additional sampling is warranted at Se19 at a later date.

ALLUVIAL DIAMOND PROGRAM

Lucapa's alluvial exploration program is predominantly targeting Calonda-style gravels identified in the valley of the Caculo River during the course of kimberlite evaluation program.

Calonda-style gravels located immediately to the west of the Se046 kimberlite (Figures 1 and 4) have recently been explored by excavator pitting. Only limited, and very recent, garimpeiro activity has been observed in this area, referred to as E46.

The Calonda gravels exposed in the pitting were up to 1m thick and have so far been recognised over an area of about eight hectares (Figure 4). While only a small sample has been processed from the area, results have been extremely encouraging.

During the Quarter, a total of 26m³ of gravel from the Se046 area was processed through Lucapa’s DMS diamond processing plant. From that relatively small sample, four diamonds weighing a total of 7.95 carats were recovered. The diamonds are of good quality and all weighed in excess of one carat, with an average size of almost 2 carats. Details of the results from that alluvial sample (BLK_11) are presented in Table 2.

Table 2: Diamond Recoveries - BLK_11

Sample Number	Gravel Volume (m ³)	Size Distribution ¹				Number of Diamonds	Diamond Weight (ct)	Average Size (ct)	Grade ² (ct/100m ³)	Largest Diamond (ct)
		<1ct	1-2ct	2-5ct	>5ct					
BLK_11	26.00	-	2	2		4	7.95	1.99	30.58	2.75

Notes:

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

In addition to the diamonds recovered from BLK_11, an additional gem diamond weighing 9.75 carats was acquired from illegal miners (garimpeiros) in the E46 alluvial area. While no details of what material was processed to recover this 9.75 carat diamond are available, it does indicate larger stones occur in the E46 area.

Additional exploration pitting and bulk sampling is warranted in the E46 alluvial area. It is hoped that this work will confirm diamond grades and extend the area of the readily-accessible Calonda gravels.

In addition, Lucapa has also defined additional Calonda gravels near the northern end of kimberlite Se251 and these gravels will be sampled with BLK_11.

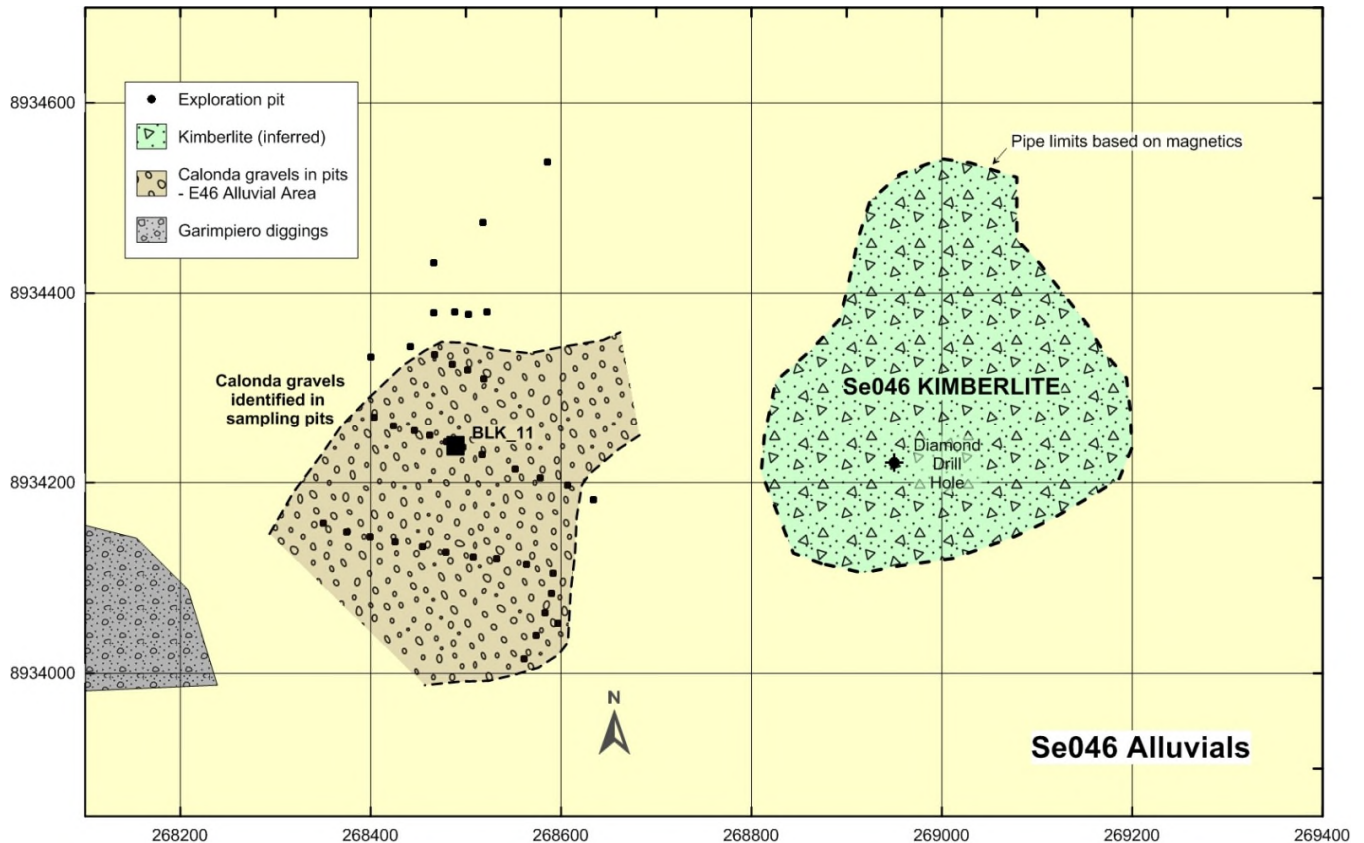


Figure 4: Alluvial exploration program near Se046 kimberlite target

DIAMOND VALUATION AND SALES

In September 2012, a representative of Independent Diamond Valuers Pty Ltd (IDV) completed a valuation of a parcel of diamonds recovered by Lucapa 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. Much of the value of the parcel was ascribed to a single 131.4 carat diamond that was valued at US\$3.5 million.

It was subsequently confirmed in March 2013 that the 131.4 carat stone, and two other large alluvial diamonds recovered from Lulo, were rare Type IIa diamonds.

As announced in the previous quarter, Lucapa negotiated a revenue-sharing agreement with joint venture partner Endiama to enable the Company to sell the diamonds recovered from Lulo to date in the absence of a Mining Licence.

The Company had hoped that the sale of the diamonds would occur during the Quarter. However, Lucapa is still waiting for a timetable for this diamond sale to occur and continues to seek clarification on this process from officials in Angola.

Lucapa will use any revenue generated from diamond sales to continue its kimberlite drilling programs at Lulo, and in particular the focus on kimberlite Se251.



Diamonds from Lulo, including the 131.4 carat Type IIa diamond.

KIMBERLITE LICENCE EXTENSION

During the quarter Lucapa received formal confirmation that Endiama had recommended to the Minister of Geology and Mines in Angola that the kimberlite licence for the Lulo concession be extended for a further two years to June 2015.

NEW DMS DIAMOND PLANT

The main constraint to the Lucapa's diamond exploration program is the low capacity of the Company's current DMS plant. After significant delays, the Company's new 50 tonne per hour DMS plant arrived on site at Lulo during the Quarter from the port in the Angolan capital of Luanda.

Sections of the DMS plant in one of the eight containers trucked to site were damaged. However, Lucapa still expects to have the new DMS plant commissioned by the end of the next quarter¹.

Site works for the new DMS plant are well advanced.



DMS plant lay down area



New DMS plant scrubber base being constructed

¹ As announced to the ASX on 29 May 2013, Lucapa has changed its year end to 31 December from 28 February. The next full quarter for the Company will be the three months to 30 September 2013.

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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.

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