



LUCAPA DIAMOND COMPANY LIMITED

ACN 111 501 663

NOTICE OF 2014 ANNUAL GENERAL MEETING

TIME: 10.00am (WST)

DATE: 21 May 2014

PLACE: The Celtic Club
48 Ord Street
West Perth, WA, 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

If you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary on (+61 8) 9489 9200.

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IMPORTANT INFORMATION

MEETING DETAILS

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at The Celtic Club, 48 Ord Street, West Perth on 21 May 2014 at 10.00 am (WST).

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

All Shareholders may attend the Meeting. The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that for the purposes of voting at the Meeting, Shareholders will be taken as those who are registered on the Company's register of members as at 5.00pm (WST) on 19 May 2014.

VOTING AT THE MEETING OR BY PROXY

You may vote on the items of business to be considered at the Meeting, either in person at the Meeting or by completing, signing and returning the Proxy Form enclosed with this Notice. You can return your Proxy Form to the Company's share registry, Security Transfer Registrars:

- by email to registrar@securitytransfer.com.au;
- by posting it to PO Box 535, Applecross, Western Australia 6953;
- by facsimile to +61 (0) 8 9315 2233;
- by hand to 770 Canning Highway, Applecross, Western Australia, Australia 6153 between 8.00am and 5.00pm Monday to Friday, providing it is not a public holiday in WA.

You may also lodge your proxy online at www.securitytransfer.com.au and by following the instructions set out on the Proxy Form.

The Proxy Form must be returned to the Security Transfer Registrars and be received no later than 10.00am (WST) on Monday, 19 May 2014.

VOTING BY PROXY

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy may, but need not be, a Shareholder of the Company; and

- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act.

If the case of Shares jointly held by two or more persons, all joint holders must sign the Proxy Form.

Voting restrictions that may affect your proxy appointment

Due to the voting exclusions that may apply to certain items of business, the Key Management Personnel and their Closely Related Parties will not be able to vote your proxy on Resolution 1 unless you have directed them how to vote, or in the case of the Chair, if you expressly authorise him.

Chair voting undirected proxies

The Chair will vote undirected proxies on, and in favour of, all of the proposed Resolutions, except that in respect of Resolution 1, the Chair will only do so where expressly authorised by the Shareholder having marked the appropriate box on the Proxy Form.

CORPORATE REPRESENTATIVES

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The representative must bring to the Meeting evidence of his or her appointment unless it has been previously given to the Company's share registry, Security Transfer Registrars.

POWERS OF ATTORNEY

A person appearing as an Attorney for a Shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the Meeting.

ASKING QUESTIONS AT THE MEETING

The Meeting is intended to give Shareholders the opportunity to hear both the Chair and the Chief Executive Officer talk about the year that has just passed and also give some insight into the year ahead.

We welcome Shareholders' questions or comments at the Meeting. In the interests of all present, we ask that you confine your questions to matters before the Meeting that are relevant to Shareholders as a whole.

The Company's Auditors will attend the Meeting and the Chair will allow a reasonable opportunity for Shareholders to ask the auditor questions about the:

- conduct of the audit;
- preparation and content of the auditor's report;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- independence of the auditor in relation to the conduct of the audit.

BUSINESS OF THE MEETING

AGENDA

Financial Statements and Reports

To receive and consider the Financial Report, Director's Report and Auditor's Report for the Company for the period ended 31 December 2013.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following **non-binding resolution**:

“That for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report contained in the Annual Report.”

Note: In accordance with the Corporations Act the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy;
- (c) does not specify the way the proxy is to vote on this Resolution; and
- (d) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR DAVID JONES

To consider and, if thought fit, to pass the following **ordinary resolution**:

“That David Jones who retires in accordance with rule 6.3 of the Constitution, and being eligible offers himself for re-election, be re-elected as a Director.”

3. RESOLUTION 3 – RATIFICATION OF SHARES PURSUANT TO PLACEMENT

To consider and, if thought fit, to pass the following **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders hereby approve and ratify the issue of 925,000,000 Shares at an issue price of \$0.006 per Share to those who participated in the Placement as announced to ASX on 7 April 2014 and as more fully described in the Explanatory Statement accompanying this Notice."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who participated in the issue and a person who might obtain a benefit, except a benefit solely in their capacity as a security holder, and any of their associates, unless:

- (a) it is cast by the person as proxy for a person who is entitled to vote (in accordance with directions on the Proxy Form); or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the proxy decides).

4. RESOLUTION 4 – APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS PURSUANT TO PLACEMENT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders hereby approve and authorise the issue of 462,500,000 August 2015 Options for no cash consideration to those who participated in the Placement as announced to ASX on 7 April 2014 and as more fully described in the Explanatory Statement accompanying this Notice."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of securities referred to in this Resolution and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of such person.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS TO CANACCORD GENUITY PURSUANT TO PLACEMENT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders hereby approve and authorise the issue of 45,000,000 August 2015 Options for no cash consideration but as part of the consideration due to Canaccord Genuity (Australia) Limited under its agreement to act as lead manager to the Placement as announced to ASX on 7 April 2014 and as more fully described in the Explanatory Statement accompanying this Notice."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Canaccord Genuity (Australia) Limited and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of such person.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS TO CPS CAPITAL GROUP PURSUANT TO PLACEMENT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders hereby approve and authorise the issue of 30,000,000 August 2015 Options for no cash consideration but as part of the consideration due to CPS Capital Group Pty Ltd under its agreement to support the lead manager to the Placement as announced to ASX on 7 April 2014 and as more fully described in the Explanatory Statement accompanying this Notice."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by CPS Capital Group Pty Ltd and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of such person.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – CONSOLIDATION OF SHARE CAPITAL ON 30:1 BASIS

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That in accordance with, and pursuant to, section 254H(1) of the Corporations Act:

(a) every thirty (30) Shares into one (1) Share;

(b) every thirty (30) August 2015 Options into one (1) August 2015 Option;

(c) every thirty (30) December 2014 Option into one (1) December 2014 Option;

(d) every thirty (30) September 2014 Option into one (1) September 2014 Option; and

the exercise price for each Option be multiplied by thirty (30), with such consolidation to take effect on Friday 23 May 2014."

8. RESOLUTION 8 – THE ISSUE OF SHARES UNDER LISTING RULE 7.1A

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in their capacity as a security holder if the resolution is passed, and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

DATED: 11 APRIL 2014**BY ORDER OF THE BOARD**

MARK CLEMENTS
COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires that the Annual Report of the Company be tabled at the Meeting. In addition, the Constitution provides for such reports and statements to be received and considered at the Meeting.

The directors present their report together with the financial report of the Company for the financial period ended 31 December 2013 and independent auditor's report thereon. The Company changed its financial year end to 31 December to synchronise with that of its operations in Angola, effective 1 March 2013.

Apart from the matters involving remuneration which are required to be voted upon, neither the Corporations Act nor the Company's Constitution requires a vote of members at the annual general meeting on such reports or statements. However, Shareholders will be given ample opportunity to raise questions with respect to these reports at the meeting.

Whilst the Company will not provide a hard copy of the Annual Report unless specifically requested to do so, Shareholders may view the Company's Annual Report through ASX announcements at www.lucapa.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' Report contained in the Annual Report of the Company for the financial period ending 31 December 2013.

The Corporations Act requires the Company to put a resolution to the Shareholder that the Remuneration Report be adopted. In accordance with section 250R(3) of the Corporations Act, the vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

2.2 Voting consequences

In accordance with Division 9 of Part 2G.2 of the Corporations Act, a company is required to put to its Shareholders a resolution proposing the calling of another meeting of Shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a Shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the Company's annual report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting less than 5% of the votes were cast against the remuneration report considered at that annual general meeting. Accordingly, the Spill Resolution is not relevant for this Meeting.

2.4 Voting exclusion statement

A voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. Key Management Personnel and their Closely Related Parties may not vote on this Resolution and may not cast a vote as proxy, unless the proxy appointment gives direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy. The Chair will use any such proxies to vote in favour of Resolution 1.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR DAVID JONES

David Jones retires under the director rotation provisions of article 6.3 of the Constitution. Mr Jones, being eligible, has offered himself for re-election as a Director.

Mr Jones is one of Australia's most experienced and successful diamond exploration geologists. He began his diamond exploration career in 1976 as part of the Ashton Joint Venture team conducting regional exploration programs in the Kimberley including preliminary exploration in the Ellendale Field. He has held senior exploration and management positions with a number of diamond exploration companies including Ashton Mining, Cluff Resources, Metana Minerals, Western Reefs, Kimberley Diamond Company NL and was Managing Director of Blina Diamonds NL.

3.1 Directors' Recommendation

The Board (other than Mr Jones) recommends that Shareholders vote in favour of Resolution 2. The Chair intends to vote undirected proxies in favour of Resolution 2.

4. RESOLUTION 3 – RATIFICATION OF SHARES PURSUANT TO PLACEMENT

4.1 Background

As detailed in the Company's ASX announcement on 11 April 2014, the Company completed the placement of 925 million Shares at an issue price of \$0.006 each per Share (Placement) with an attaching \$0.01 August 2015 Option issued free for every 2 Shares issued, with fractional entitlements to August 2015 Options being rounded up to the next whole number, to professional and sophisticated investors (**Participants**) to raise \$5.55 million (before associated costs).

4.2 Listing Rule 7.4

The Shares issued under the Placement were issued within the Company's 15% annual limit permitted under Listing Rule 7.1, and 10% annual limit permitted under Listing Rule 7.1A, without the need for Shareholder approval.

Resolution 3 is an ordinary resolution that seeks Shareholder ratification of the Placement of the Shares pursuant to Listing Rule 7.4. The effect of Shareholders passing Resolution 3 will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months.

4.3 Specific Information Required by Listing Rule 7.5

For the purposes of Shareholder approval of the Placement of the Shares and the requirements of Listing Rule 7.5, information is provided as follows:

- (a) 925 million Shares were issued on 11 April 2014;
- (b) the Shares were issued at \$0.006 each per Share which was equivalent to the market price at close of trading on the date of issue;
- (c) the Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Shares were issued to the Participants who were professional and sophisticated investors and clients of Canaccord Genuity (Australia) Limited and CPS Capital Group Pty Ltd and who were not related parties or associates of a related party of the Company;
- (e) the gross proceeds from the Placement, \$5,550,000 will be applied towards exploration and evaluation of existing tenements on the Lulo concession, development, wages and associated costs and administration costs (including approximately \$734,568 for mine operating expenses, \$539,498 payable in surface tax, \$412,345 in alluvial exploration activities, \$428,241 for salaries, \$245,504 for transport and mobilisation of earth-moving equipment, \$151,016 for general expenses, \$88,422 for security at the Lulo camp transit house and Luanda office, \$64,579 in clearing and custom costs and \$47,699 for environmental and financial consultants) with the balance being available for the Company's continuing operations and expenses associated with the Lulo concession.
- (f) a voting exclusion statement is included in the Notice.

4.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3. The Chair intends to vote undirected proxies in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS PURSUANT TO PLACEMENT

5.1 Background

As detailed in the Company's ASX announcement on 7 April 2014, the Company has undertaken to seek Shareholder approval to issue up to 462.5 million August 2015 Options to the Participants who subscribed for Placement Shares.

Under the terms of the Placement, it was agreed that Participants in the Placement would be entitled to receive, for no additional consideration, one August 2015 Option free for every two Shares issued, with the August 2015 Options to be issued when that issue was approved by Shareholders or when the Company had the available placement capacity under Listing Rule 7.1.

Resolution 4 is an ordinary resolution that seeks Shareholder approval to the issue of the 462.5 million August 2015 Options to the Participants in the Placement for the purposes of Listing Rule 7.1 and for all other purposes.

5.2 Listing Rule 7.1

Listing Rule 7.1 provides in summary, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

While the Shareholders passed a special resolution at the Company's last annual general meeting approving, in accordance with Listing Rule 7.1A, the issue by the Company of a further 10% of their share capital in addition to the standard 15% annual placement capacity permitted under Listing Rule 7.1, that additional placement capacity cannot be used for the issue of securities for no cash consideration and accordingly is not available for the issue of the August 2015 Options.

The effect of passing Resolution 4 will be to allow the Directors to issue the 462.5 million August 2015 Options described in Resolution 4 during the three month period after the Meeting (or a longer period, if allowed by ASX), without using up the Company's 15% placement capacity under Listing rule 7.1.

If Resolution 4 is not passed, the August 2015 Options described in Resolution 4 will be issued to Participants in the Placement when the Company has the requisite placement capacity under Listing Rule 7.1.

5.3 Specific Information Required by Listing Rule 7.3

In compliance with the information requirements of Listing Rule 7.3 Shareholders are advised of the following particulars in relation to the issue of the August 2015 Options under Resolution 4:

- (i) the maximum number of August 2015 Options proposed for issue under Resolution 4 is 462.5 million;
- (ii) these August 2015 Options are to be issued to Participants in the Placement for nil consideration on the basis of 1 August 2015 Option for each 2 Shares issued under the Placement, with fractional entitlements to the August 2015 Options being rounded up to the next whole number;

- (iii) no funds will be raised from the issue of these August 2015 Options, the Company will receive \$0.01 for every August 2015 Option exercised by the holders of those August 2015 Options;
- (iv) the August 2015 Options will be in the same class as the August 2015 Options (ASX:LOMO) quoted on the ASX. Shares issued on the exercise of these August 2015 Options will rank pari passu with all existing Shares on issue;
- (v) the terms and conditions of these August 2015 Options are set out in Schedule 1 to this Explanatory Statement;
- (vi) the issue of these August 2015 Options will all be made on the same date, being no later than three months from the date of receiving Shareholder approval; and
- (vii) a voting exclusion statement is included in the Notice.

5.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4. The Chair intends to vote undirected proxies in favour of Resolution 4.

6. RESOLUTIONS 5 AND 6 - APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS TO BROKERS PURSUANT TO PLACEMENT

6.1 Background

As detailed in the Company's ASX announcement on 7 April 2014, the Company completed the Placement on terms which included the issue of 75,000,000 free August 2015 Options, subject to Shareholder approval, as part of the consideration due to Canaccord Genuity (Australia) Limited (**Canaccord**) and CPS Capital Group Pty Ltd (**CPS**).

Canaccord acted as lead manager to the Placement and was supported by CPS.

Resolutions 5 and 6 are ordinary resolutions that seek Shareholder approval for the purposes of Listing Rule 7.1 and for all other purposes, to:

- (a) the issue of 45,000,000 August 2015 Options to Canaccord, or its nominee(s); and
 - (b) the issue of 30,000,000 August 2015 Options to CPS, or its nominee(s)
- (together, defined as **Brokers Options**).

6.2 Listing Rule 7.1

Listing Rule 7.1 provides in summary, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

While the Shareholders passed a special resolution at the Company's last annual general meeting approving, in accordance with Listing Rule 7.1A, the issue by the Company of a further 10% of their share capital in addition to the standard 15% annual placement capacity permitted under Listing Rule 7.1, that additional placement capacity cannot be used for the

issue of securities for no cash consideration and accordingly is not available for the issue of the Broker Options.

The effect of passing Resolutions 5 and 6 will be to allow the Directors to issue the 75,000,000 Broker Options described in Resolutions 5 and 6 during the three month period after the Meeting (or a longer period, if allowed by ASX), without using up the Company's 15% placement capacity under Listing rule 7.1.

If either or both of Resolutions 5 or 6 are not passed, the Options described in Resolutions 5 and 6 will be issued to Canaccord and CPS, respectively, when the Company has the requisite placement capacity under Listing Rule 7.1.

6.3 Specific Information Required by Listing Rule 7.3

In compliance with the information requirements of Listing Rule 7.3 Shareholders are advised of the following particulars in relation to the issue of the Options under Resolution 5 and Resolution 6:

- (i) the maximum number of Broker Options proposed for issue is:
 - a. 45,000,000 August 2015 Options to Canaccord; and
 - b. 30,000,000 August 2015 Options to CPS.
- (ii) these Broker Options are to be issued to Canaccord and CPS, or their nominees(s) for no cash consideration;
- (iii) No money will be raised from the issue of these Broker Options and, if these Options are exercised, the Company will receive \$0.01 for every Broker Option exercised by the holders of those Broker Options;
- (iv) the Broker Options will be in the same class as the August 2015 Options (ASX:LOMO). Shares issued on the exercise of these Broker Options will rank *pari passu* with all existing Shares on issue;
- (v) the terms and conditions of these Broker Options are set out in Schedule 1 to this Explanatory Statement;
- (vi) the issue of these Broker Options will all be made on the same date, being no later than three months from the date of receiving Shareholder approval; and
- (vii) a voting exclusion statement is included in the Notice.

6.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5 and Resolution 6. The Chair intends to vote undirected proxies in favour of Resolution 5 and Resolution 6.

7. RESOLUTION 7 – CONSOLIDATION OF SHARES AND OPTIONS ON 30:1 BASIS

7.1 Background

As announced on 7 April 2014, the Board resolved that this resolution be put to Shareholders to consider, and if thought fit approve, a 30:1 consolidation of the Company's Shares and Options (both listed and unlisted) on a post-placement basis (**Consolidation**).

Subject to the Consolidation being approved by Shareholders, the Board also resolved to make a non-renounceable entitlements issue of Loyalty Options to Shareholders. Under the proposed terms of the entitlements issue of Loyalty Options, Shareholders will be entitled to subscribe for one Loyalty Option, at an issue price of \$0.001 per Option for every two fully-paid ordinary Shares held on a post-consolidation basis. The indicative timetable for the entitlements issue of these Loyalty Options is set out at 7.5 of this Explanatory Statement and the terms and conditions of these Loyalty Options are set out in Schedule 1 to this Explanatory Statement.

It is proposed that the Company consolidate its capital by consolidating:

- a) every thirty (30) Shares into one (1) Share;
- b) every thirty (30) August 2015 Options into one (1) August 2015 Option;
- c) every thirty (30) December 2014 Option into one (1) December 2014 Option; and
- d) every thirty (30) September 2014 Option into one (1) September 2014 Option,

with the exercise price for each Option granted by the Company being multiplied by thirty (30).

If this Resolution is approved by Shareholders, this consolidation will take effect on Friday, 23 May 2014.

As at the date of this Notice the effect of the consolidation of the Company's issued capital is set out below.

Capital Structure Pre-Consolidation	Number
Issued Shares	4,777,603,212
Listed Options, exercisable at \$0.01, expiring 29 August 2015	795,436,657
Additional Listed Options, exercisable at \$0.01, expiring 29 August 2015 (Subject to Shareholder approval of Resolution 4)	462,500,000
Additional Broker Options, exercisable at \$0.01, expiring 29 August 2015 (Assuming these Broker Options are issued pre-Consolidation)	75,000,000
Unlisted Options, exercisable at \$0.03, expiring 2 December 2014	25,000,000
Unlisted Options, exercisable at \$0.019, expiring 25 September 2014	125,000,000
Pre-Consolidated Issued Capital (Fully Diluted)	6,260,539,869

Capital Structure Post-Consolidation	Number
Issued Shares	159,253,440
Listed Options, exercisable at \$0.30, expiring 29 August 2015	26,514,555
Additional Listed Options, exercisable at \$0.30, expiring 29 August 2015 (Subject to Shareholder approval of Resolution 4)	15,416,667
Additional Brokers Options, exercisable at \$0.30, expiring 29 August 2015	2,500,000
Unlisted Options, exercisable at \$0.90, expiring 2 December 2014	833,333
Unlisted Options, exercisable at \$0.57, expiring 25 September 2014	4,166,667
Post-Consolidated Issued Capital (Fully Diluted)	208,684,662

Conversion of the terms of Options in the above manner is a requirement of the ASX Listing Rules and is in accordance with the terms of the Options.

The consolidation of capital to be effected under Resolution 7 is not intended to increase or decrease Shareholders' or Option holders' proportionate holdings in the Company. However, where the consolidation would result in a fractional entitlement to a Share or Option, that fractional entitlement will be rounded up to the next whole Share or Option, as applicable.

The consolidation will have no effect on the Company's assets or liabilities.

7.2 Reasons for consolidation

The directors consider the Company's present capital structure is inappropriate and recommend it be consolidated for reasons including the following:

- a) the current market price for the Company's Securities as at the date of this Notice is \$0.006 and the fact ASX only accept trades of multiples of not less than 0.1 cent means small movement in the Company's Share price represents a relatively large percentage change that may be inappropriate in the circumstances;
- b) reducing negative investor perceptions associated with a low share price; and
- c) administrative costs to the Company will be reduced.

7.3 Tax implications

The summary in this section is general in nature. In addition, particular taxation implications will depend upon the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek and rely on their own professional advice in relation to their tax position.

The Share and Option consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder as a result of the consolidation. No capital gains tax event will occur as a result of the share consolidation.

7.4 Indicative timetable for consolidation

Event	Date
Approval of consolidation at Annual General Meeting	21 May 2014
Company informs ASX that security holders have approved reorganisation with effect from 22 May 2014	21 May 2014
Last day for trading in pre-consolidated securities	22 May 2014
Trading in post-consolidation securities on a deferred settlement basis commences	23 May 2014
Last day for entity to register transfers on a pre-consolidation basis	27 May 2014
First day for Company to dispatch new holding statements and notices to each Shareholder and Optionholder identifying the number of securities held before and after the Consolidation and register of securities on a post-Consolidation basis	28 May 2014
Deferred settlement market ends and last day for entering securities into Shareholders and Optionholders' security holdings and issue of new holding statements and last day for Company to send notice to each Shareholder and Optionholder identifying the number of securities held before and after the Consolidation	3 June 2014
Trading resumes on a T+3 basis	4 June 2014

The Company reserves the right to amend this indicative timetable, subject to ASX Listing Rules and any applicable laws.

7.5 Indicative timetable for non-renounceable entitlements issue of Loyalty Option

Event	Date
Section 708AA Notice, Appendix 3B and Offer Document lodged with ASX and notice to Option holders will have been given by this date	14 July 2014
Notice sent to security holders containing the indicative timetable and the information required by Appendix 3B	15 July 2014
"EX" DATE. Shares commence trading ex-entitlements	16 July 2014
RECORD DATE to identify security holders entitled to participate in the issue	18 July 2014
Offer Document and personalised Entitlement and Acceptance forms despatched to Eligible Shareholders with confirmation of this event being announced by the Company to ASX	23 July 2014
Last day to extend offer closing date	29 July 2014
CLOSING DATE Offer closes at 5.00pm (Perth time)	1 August 2014
Securities quoted on a deferred settlement basis	5 August 2014
ASX notified of under subscriptions	7 August 2014

Issue date. Deferred settlement trading ends. Last day for Company to confirm to ASX all information required by Appendix 3B	11 August 2014
Normal trading (T+3 trading) expected to start	12 August 2014

The Company reserves the right to amend this indicative timetable including, subject to ASX Listing Rules and any applicable laws, the right to extend the Closing Date.

7.6 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 7. The Chair intends to vote undirected proxies in favour of Resolution 7.

8. RESOLUTION 8 – THE ISSUE OF SHARES UNDER LISTING RULE 7.1A

8.1 General

Listing Rule 7.1A, allows companies that are not included in the S&P/ASX300 Index and have a market capitalisation of \$300 million or less to issue a further 10% of their share capital in a 12 month period (in addition to the standard 15% annual placement capacity permitted under Listing Rule 7.1) on a non pro-rata basis provided that Shareholders approve the issue by passing a special resolution at the company's annual general meeting.

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 8 for it to be passed.

8.2 Listing Rule 7.1A Approval

Accordingly, the Company is seeking Shareholder approval under Listing Rule 7.1A to issue an additional number of Shares which is equal to up to 10% of the Company's issued share capital in accordance with the formula in Listing Rule 7.1A.2 (**Listing Rule 7.1A Shares**).

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution 8:

- (a) **Equity Securities**
Any Listing Rule 7.1A Shares must be in the same class as an existing quoted class of Equity Securities of the Company.
- (b) **Formula for calculating Listing Rule 7.1A Shares**
Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(c) Date of issue

The Listing Rule 7.1A Shares must be issued before the earlier of:

- (i) the date that is 12 months after the date of the Meeting; and
- (ii) the date that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

(d) Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the Listing Rule 7.1A Shares as follows:

- (i) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (a) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i)(a) above, the date on which the Equity Securities are issued.
- (ii) If Resolution 8 is approved by Shareholders and the Company issues Listing Rule 7.1A Shares, the existing Shareholders' voting power in the Company will be diluted as shown in the table below (in the case of Options, only if the Options are exercised). There is a risk that:
 - (a) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (b) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date

or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice on a pre-consolidation basis.

The table also shows:

- (iii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iv) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2	Dilution (on a pre-consolidation basis)			
	Number of Shares issued under 10% placement capacity	Funds raised based on issue price of \$0.007 (current price)	Funds raised based on issue price of \$0.0035 (50% decrease in current issue price)	Funds raised based on issue price of \$0.014 (50% increase in current issue price)
4,777,603,212 (Current Variable 'A')	477,760,321	\$3,344,322	\$1,672,161	\$6,688,644
7,166,404,818 (50% increase in current Variable 'A')	716,640,482	\$5,016,483	\$2,508,242	\$10,032,967
9,555,206,424 (100% increase in current Variable 'A')	955,520,642	\$6,688,644	\$3,344,322	\$13,377,289

The table has been prepared on the following assumptions:

- (a) The table has not taken into account the impact of the consolidation;
- (b) The Company issues the maximum number of Listing Rule 7.1A Shares;
- (c) No Options (including any Options issued under Listing Rule 7.1A) are exercised into Shares before the date of the issue of the Equity Securities;

- (d) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
- (e) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements of Listing Rule 7.1A Shares, based on that Shareholder's holding at the date of the Meeting;
- (f) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
- (g) The issue of Listing Rule 7.1A Shares consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (h) The issue price is \$0.007, being the closing price of the Shares on ASX on 8 April 2014.

The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(e) *Allocation*

The Company may seek to issue the Equity Securities for the following purposes:

- (i) cash consideration. In such circumstances, the Company intends to use the funds raised to advance the Project Lulo Joint Venture. Subject to the outcome of the exploration program, funds would then be used for feasibility studies and ongoing project administration and additional working capital; or
- (ii) non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of Listing Rule 7.1A Shares. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees of Listing Rule 7.1A Shares have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new

Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees of Listing Rule 7.1A Shares will be the vendors of the new resources assets or investments.

- (f) The Company has previously obtained Shareholder approval under Listing Rule 7.1A. Details of Equity Securities that have been issued since Shareholders last approved the issue of Equity Securities pursuant to Listing Rule 7.1A, at the Company's annual general meeting on 26 July 2013, are set out at Schedule 2 of this Notice.
- (g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8.3 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 8. The Chair intends to vote undirected proxies in favour of Resolution 8.

GLOSSARY

\$ means Australian Dollars.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial period ended 31 December 2013.

ASX means ASX Limited (ACN 108 019 263) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report in the Financial Report.

August 2015 Options means an Option entitling the holder to subscribe for a Share at an issue price of \$0.01 (pre-consolidation), exercisable at any time before 5.00pm (WST) on 29 August 2015 and being subject to the terms and conditions set out in Schedule 1.

Board means the board of Directors.

Business Day means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

Chair means the person appointed to chair the Meeting convened by this Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Lucapa Diamond Company Limited (ACN 111 501 663).

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

December 2014 Option means an unlisted Option entitling the holder to subscribe for a Share at an issue price of \$0.03 (pre-consolidation), exercisable at any time before 5.00pm (WST) on 2 December 2014.

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement attached to the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Loyalty Option means a listed Option entitling the holder to subscribe for a Share at an issue price of \$0.30 (post-consolidation), exercisable at any time before 5.00pm (WST) on 29 August 2015, issued for consideration of \$0.001 per Option and being subject to the terms and conditions set out in Schedule 1.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution contained in the Notice.

September 2014 Option means an unlisted Option entitling the holder to subscribe for a Share at an issue price of \$0.019 (pre-consolidation), exercisable at any time before 5.00pm (WST) on 25 September 2014.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weight average price.

WST means Western Standard Time, being the time in WA.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

SCHEDULE 1 – TERMS OF AUGUST 2015 OPTIONS (PRE-CONSOLIDATION)

The terms and conditions of the August 2015 Options are as follows:

- (a) Definitions. For the purposes of the terms and conditions of the August 2015 Options:
 - (i) **ASX** means ASX Limited (ABN 98 008 624 691)
 - (ii) **ASX Listing Rules** means the official listing rules of ASX.
 - (iii) **Company** means Lucapa Diamond Company Limited (ABN 44 111 501 663).
 - (iv) **Corporations Act** means Corporations Act.
 - (v) **Exercise Price** means the exercise price of each August 2015 Option, being \$0.01.
 - (vi) **Expiry Date** means 5.00pm (WST) on 29 August 2015.
 - (vii) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising August 2015 Options.
 - (viii) **August 2015 Option** means an option to subscribe for a Share at the Exercise Price prior to the Expiry Date in the manner set out in these Terms and Conditions.
 - (ix) **August 2015 Option Holder** means the person or persons registered as the holder of one or more August 2015 Options from time to time.
 - (x) **Share** means a fully paid ordinary share in the capital of the Company.
 - (xi) **WST** means Australian Western Standard Time.
- (b) Each August 2015 Option carries the right to subscribe for one Share.
- (c) August 2015 Options will be listed on ASX.
- (d) August 2015 Options may be exercised by the August 2015 Option Holder by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Expiry Date.
- (e) Each Exercise Notice must state the number of August 2015 Options to be exercised and be accompanied by the relevant holding statement(s), if any, and payment (in Australian currency) to the Company of an amount (the Application Monies) being the result of the Exercise Price multiplied by the number of August 2015 Options being exercised.
- (f) Following receipt of a properly executed Exercise Notice and Application Monies in respect of the exercise of any August 2015 Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
- (g) The Company will make application to have the Shares (issued pursuant to an exercise of August 2015 Options) listed for quotation by ASX within 7 days of the date of issue.
- (h) Shares issued pursuant to an exercise of August 2015 Options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
- (i) August 2015 Options carry no right to participate in pro rata issues of securities to Shareholders unless the August 2015 Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- (j) Each August 2015 Option Holder will be notified by the Company of any proposed pro rata issue of securities to Shareholders a reasonable period prior to the record date set for that pro rata issue to give the August 2015 Option Holder the opportunity to exercise the August 2015 Options in sufficient time to receive, before that record date, Shares issued on the exercise of August 2015 Options entitling participation in the pro rata issue.
- (k) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the August 2015 Options will be changed to the extent necessary to comply with the requirements of the Corporations Act and the reorganisation provisions contained in ASX Listing Rules 7.22.
- (l) Except as noted in paragraph (k) above, an August 2015 Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the August 2015 Option can be exercised.

SCHEDULE 2 - ISSUES OF EQUITY SECURITIES SINCE 26 JULY 2013

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)¹	Form of consideration
29 August 2013	318,000,000	Shares ²	Professional and sophisticated investors including clients of CPS Capital Group Pty Ltd	\$0.004	Amount raised = \$1,272,000 Amount spent = \$1,272,000 Use of funds = To advance the operations at Lulo, including drilling and exploration at the priority Se251 kimberlite, commissioning the Company's new 50 tonne per hour Dense Media Separation diamond plant and further evaluating the diamond-bearing gravels recently discovered near the Se046 kimberlite target (including \$520,758 on Bauer drilling costs, \$175,021 on surface tax, \$42,971 on earthmoving expenses and \$120,697 on salaries). Amount remaining = \$Nil Proposed use of remaining funds ⁴ = N/A
29 August 2013	159,000,000	Unquoted Options ³	Professional and sophisticated investors including clients of CPS Capital Group Pty Ltd	Issued for no cash consideration – free attaching Options	Consideration: no consideration paid – free attaching Options. Current value ⁵ = \$477,000
1 November 2013	216,112,236	Shares ²	LOM Shareholders pursuant to the Entitlements Issue announced 17 September 2013	\$0.004	Amount raised = \$864,449 Amount spent = \$864,449 Use of funds = To advance the operations at Lulo, including drilling and exploration at the priority Se251 kimberlite, commissioning the Company's new 50 tonne per hour Dense Media Separation diamond plant and further evaluating the diamond-bearing gravels recently discovered near the Se046 kimberlite target (including \$350,951 spent on Bauer drilling costs and \$93,862 on salaries).

					Amount remaining = \$Nil Proposed use of remaining funds ⁴ = N/A
1 November 2013	216,112,236	Unquoted Options ³	LOM Shareholders pursuant to the Entitlements Issue announced 17 September 2013	Issued for no cash consideration – free attaching Options	Consideration: no consideration paid – free attaching Options. Current value ⁵ = \$648,337
14 November 2013	134,124,421	Shares ²	LOM Shareholders pursuant to the Entitlements Issue announced 17 September 2013	\$0.004	Amount raised = \$536,498 Amount spent = \$536,498 Use of funds = To advance the operations at Lulo, including drilling and exploration at the priority Se251 kimberlite, commissioning the Company's new 50 tonne per hour Dense Media Separation diamond plant and further evaluating the diamond-bearing gravels recently discovered near the Se046 kimberlite target (including \$317,298 for salary costs and \$174,104 for surface tax). Amount remaining = \$Nil Proposed use of remaining funds ⁴ = N/A
14 November 2013	134,124,421	Unquoted Options ³	LOM Shareholders pursuant to the Entitlements Issue announced 17 September 2013	Issued for no cash consideration – free attaching Options	Consideration: no consideration paid – free attaching Options. Current value ⁵ = \$402,373
23 December 2013	127,200,000	Shares ²	Professional and sophisticated investors including clients of CPS Capital Group Pty Ltd	Issued for no cash consideration – Placement fee	Consideration: no consideration paid – Placement fee. Current value ⁵ = \$381,600
23 December 2013	159,000,000	Unquoted Options ³	Professional and sophisticated investors including clients of CPS Capital Group Pty Ltd	Issued for no cash consideration – free attaching Options	Consideration: no consideration paid – free attaching Options. Current value ⁵ = \$477,000

11 April 2014	925,000,000	Shares ²	Professional and sophisticated investors including clients of Canaccord Genuity (Australia) Limited and CPS Capital Group Pty Ltd	\$0.006	<p>Amount raised = \$5,550,000</p> <p>Amount spent = \$Nil</p> <p>Use of funds = N/A</p> <p>Amount remaining = \$5,550,000</p> <p>Proposed use of remaining funds⁴ = Exploration and evaluation of existing tenements on the Lulo concession, development, wages and associated costs and administration costs (including approximately \$734,568 for mine operating expenses, \$539,498 payable in surface tax, \$412,345 in alluvial exploration activities, \$428,241 for salaries, \$245,504 for transport and mobilisation of earth-moving equipment, \$151,016 for general expenses, \$88,422 for security at the Lulo camp transit house and Luanda office, \$64,579 in clearing and custom costs and \$47,699 for environmental and financial consultants) with the balance being available for the Company's continuing operations and expenses associated with the Lulo concession.</p>
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Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded Option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: LOM (terms are set out in the Constitution).
3. Unquoted Options, exercisable at \$0.01 each, on or before 29 August 2015. The full terms and conditions were disclosed in the notice of general meeting issued to Shareholders on 20 November 2013. These Options were subsequently quoted following Shareholder approval at the general meeting held 20 December 2013 (ASX:LOMO).
4. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
5. In respect of quoted Equity Securities the value of quoted Options is based on the closing price of the Shares (\$0.007) and Options (\$0.003) as the context requires on the ASX on the trading day prior to the date of this Notice.

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PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:

34 BAGOT ROAD
SUBIACO WA 6008

LUCAPA DIAMOND COMPANY LIMITED

ACN: 111 501 663

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd

All Correspondence to:

PO BOX 535,

APPLECROSS WA 6953 AUSTRALIA

770 Canning Highway,

APPLECROSS WA 6153 AUSTRALIA

T: +61 8 9315 2333 F: +61 8 9315 2233

E: registrar@securitytransfer.com.au

W: www.securitytransfer.com.au

Code: LOM

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐

OR

The meeting Chairperson
(mark with an "X")

The name of the person you are appointing

(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am WST on 21 May 2014 at The Celtic Club, 48 Ord Street West Perth, WA, 6005 and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution

- ADOPTION OF REMUNERATION REPORT
- RE-ELECTION OF DIRECTOR MR DAVID JONES
- RATIFICATION OF SHARES PURSUANT TO PLACEMENT
- APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS PURSUANT TO PLACEMENT
- APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS TO CANACCORD GENUITY PURSUANT TO PLACEMENT
- APPROVAL FOR THE ISSUE OF AUGUST 2015 OPTIONS TO CPS CAPITAL GROUP PURSUANT TO PLACEMENT
- CONSOLIDATION OF SHARE CAPITAL ON 30:1 BASIS
- THE ISSUE OF SHARES UNDER LISTING RULE 7.1A

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

☐

If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 8 and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairperson will not cast your votes on Resolutions 1 to 8 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 8. The Chairperson intends to vote undirected proxies in favour of all Resolutions.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10:00am WST on Monday 19 May 2014.

ONLINE PROXY SERVICE

You can lodge your proxy online at www.securitytransfer.com.au

- Log into the Investor Centre using your holding details.
- Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

Online Proxy ID:

NAME _____

[illegible] $(\begin{array}{|c|} \hline \\ \hline\end{array})$

1. Name and Address

2. Appointment of a Proxy

If the person you wish to appoint as your Proxy is someone other than the Chairperson please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson will be your Proxy. A Proxy need not be a Shareholder of LUCAPA DIAMOND COMPANY LIMITED.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

- (a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- (b) Return both forms in the same envelope.

5. Signing Instructions

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 10:00am WST on Monday 19 May 2014, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

Online www.securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

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