ASX Announcement 30 April 2014

LUCAPA DIAMOND COMPANY LIMITED (ASX: LOM)
QUARTERLY REPORT FOR PERIOD ENDED 31 MARCH 2014

HIGHLIGHTS

Lulo Diamond Concession, Angola

- **Economic viability and environmental reports supporting mining licence application at Lulo both completed**
- **Second parcel of Lulo diamonds (371.35 carats) independently valued at $A3.52 million**
- **Diamond inventory increased to 584 carats despite disruptions caused by heavy seasonal rain**
- **More large world-class diamonds recovered from ongoing alluvial recoveries including 95.45 carats, 32.2 carats, 24.45 carats, 10.95 carats and 10.15 carats**
- **Sampling of Se251 and other priority kimberlite pipes to commence as soon as grounds conditions allow**
- **$5.5 million capital raising completed to accelerate alluvial and kimberlite programs at Lulo**

Lulo diamonds including the 95.45 and 32.2 carat stones and 4.4 carat pink in the 371.35 carat valuation parcel

Lucapa Diamond Company Limited abn 44 111 501 663 | 34 Bagot Road | Subiaco 6008 | Western Australia
PO Box 298 | West Perth WA 6872 | T +61 8 9489 9200 | F +61 8 9489 9201 | general@lucapa.com.au

OVERVIEW

Lucapa Diamond Company Limited (ASX: **LOM**) is recovering world-class diamonds from the Lulo Diamond Concession in Angola. Lulo covers an area of 3,000km^2 and is located in the Cuango River Basin within Angola's Lunda Norte Province.

Lulo hosts a major kimberlite field and extensive diamond-bearing alluvials occurring along the Cacuilo and Lulo Rivers. The concession is located about 150km west of the world-class Catoca diamond mine and on the same favourable geological structure.

Lucapa has recovered Type 2A alluvial diamonds of up to 131.4 carats from Lulo and is now testing priority kimberlite pipes within the concession to find the source, or sources, of these rare gems.

The size of the alluvial diamonds Lucapa is recovering at Lulo indicates their source is relatively close. Significantly, aeromagnetic surveys flown by Lucapa in 2013 identified a cluster of kimberlites, including the ~220 hectare Se251 pipe (Figures 1 and 2), close to where the large alluvial diamonds are being recovered.

The Company believes one or more of these kimberlite pipes will prove to be the primary diamond source.

New DMS diamond plant at Lulo

The exceptional alluvial diamond results achieved by Lucapa since 2010 have encouraged the Company to apply for a mining licence covering alluvial diamond deposits within the valley of the Cacuilo River.

During the Quarter, Lucapa completed the two reports required under Angolan law in support of a Mining Lease Application (MLA) – the Economic Viability Technical Study (EVTS) and the Environmental Management Plan (EMP).

Lucapa's diamond operations at Lulo have been greatly assisted by the commissioning in late 2013 of a new 50 tonne per hour (tph) nameplate Dense Medium Separation (DMS) diamond plant. The plant has operated efficiently since start-up and has dramatically increased the amount of material the Company can test for diamonds. The DMS plant has been operating well above its nameplate capacity and recently processed 465 tonnes of material in a 7-hour shift.

During the Quarter, Lucapa's operations and field activities at Lulo were significantly hampered by the southern monsoon season. Heavy rainfall throughout March and April 2014 caused severe flooding and forced the Company to suspend sample processing operations for several weeks. While the rain has now stopped, water levels in the Cacuilo River have not dropped sufficiently for normal processing operations to resume.

Flooding across road at Lulo – April 2014

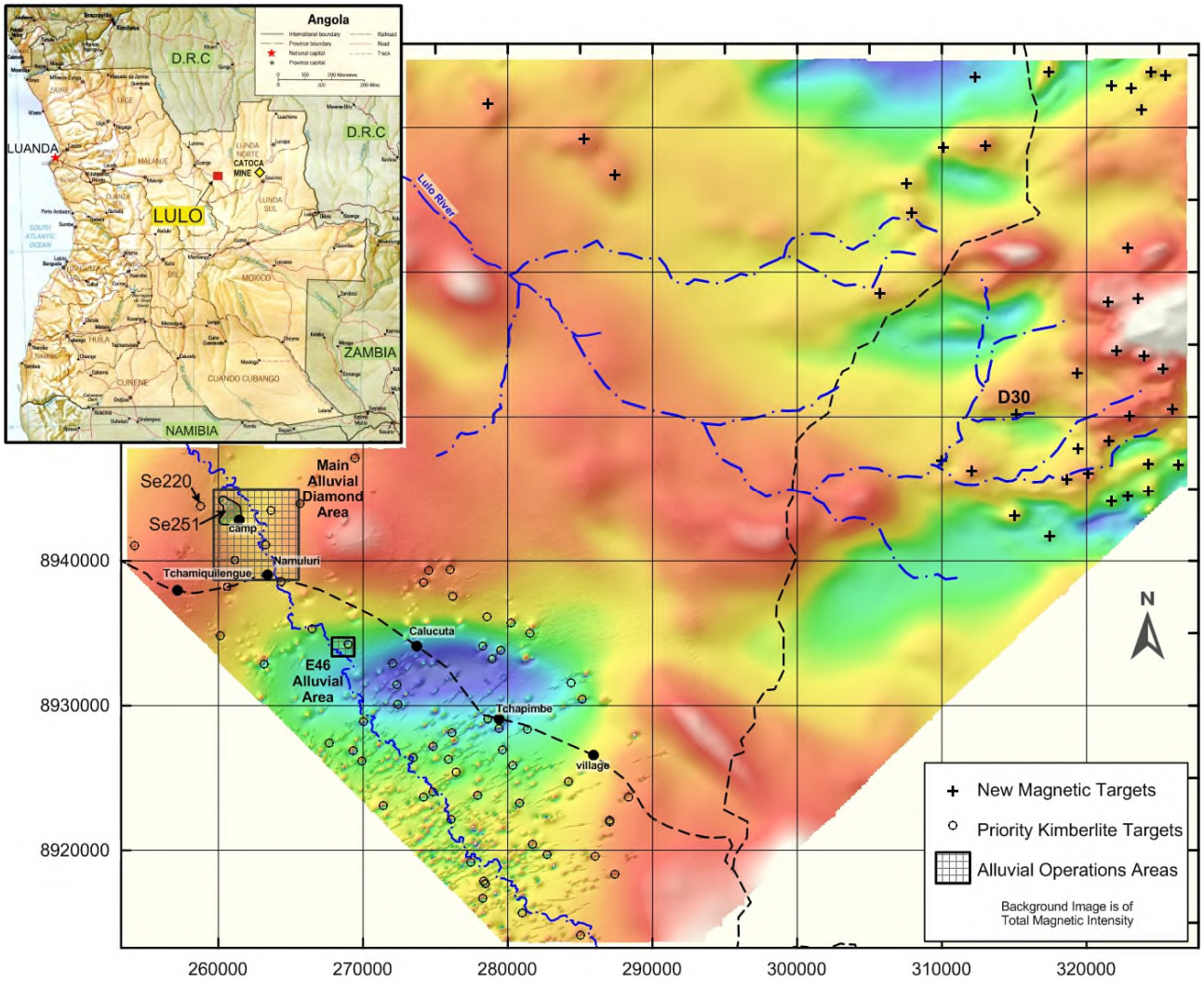

Figure 1: Lulo Diamond Concession – location of operations

DIAMOND VALUATION

In February 2014, Lucapa announced results of the second valuation of Lulo diamonds (See ASX announcement 25 February 2014). The parcel of diamonds weighing 371.35 carats was independently valued by Jaguar Consultants Ltd at $US3.164 million ($A3.52 million).

The parcel included the 95.45 carat and 32.2 carat Type 2A diamonds recovered from bulk sample BLK_19 in January 2014 (see ASX announcements 3 January 2014 and 28 January 2014). It also included a 4.4 carat pink diamond valued at $A11,428/carat.

The diamonds in this parcel achieved an average valuation price of $A9,500/carat. In July 2013, Lucapa sold its first parcel of 496.2 carats of diamonds from Lulo for gross proceeds of $A3.12 million, an average price of $A6,288/carat.

The exceptionally high valuations achieved from these two parcels underlines the premium size and quality of the diamonds Lucapa is recovering from Lulo.

The Lucapa Board has resolved to delay the sale of the second parcel of diamonds until the Angolan Ministry of Geology and Mines considers the Company's application for a mining licence. This is because with a mining licence, Lucapa is, under the terms of the joint venture agreement, entitled to 100% of the proceeds of diamond sale revenues until such time as it recovers all of its accumulated exploration expenditure.

In addition, a $5.5 million share placement completed in April 2014 (See ASX announcement 7 April 2014) means Lucapa has sufficient funding to advance its kimberlite and alluvial operations at Lulo.

Despite the disruptions caused by the monsoonal rains, Lucapa has increased its diamond inventory to 584 carats (See Alluvial Diamond Program section).

KIMBERLITE DIAMOND PROGRAM

Lucapa's kimberlite evaluation program aims to find the kimberlite source, or sources, of the valuable alluvial diamonds of up to 131.4 carats being recovered from within the Lulo concession. Magnetic surveys over the concession have identified more than 250 anomalies with magnetic signatures similar to known kimberlite pipes. To date, Lucapa has classified ~75 of the anomalies as confirmed or probable kimberlite pipes. This work is ongoing.

During the Quarter, priority kimberlites Se251 and Se220 (Figures 1 and 2) were the focus of Lucapa's kimberlite exploration program. With an estimated surface area of ~220ha, Se251 is the largest kimberlite pipe identified within the Lulo field to date. Furthermore, Se251 is strategically located adjacent to, and within, the main alluvial diamond workings of the Cacuilo Valley. For these reasons, Lucapa believes Se251 is a likely primary source for many of the alluvial diamonds that have been recovered from gravels on, or adjacent to, this kimberlite pipe.

As previously reported, Lucapa completed a core drilling program in late 2013 that established the near-surface internal geometry of Se251. This work demonstrated that Se251 is largely covered by a blanket of sandy re-sedimented volcaniclastic kimberlite (SRVK). This unit is generally quite fine grained and is considered an unlikely source for the coarse alluvial diamonds. As might be expected, bulk sampling of SRVK material from Se251 during the September 2013 quarter did not produce any commercial sized diamonds.

Lucapa believes that if diamonds have been weathered from Se251, they are likely to have been derived from the coarser pyroclastic kimberlite (PK) material identified along the southern margin of the pipe. During the Quarter, Lucapa had planned to excavate one or two sites along the southern margin of the pipe and test this material through the DMS plant for diamonds. However, the monsoonal rains and saturated ground conditions prevented this work from being undertaken.

The Company will collect samples as soon as ground conditions allow the safe excavation of deeper pits during the current quarter.

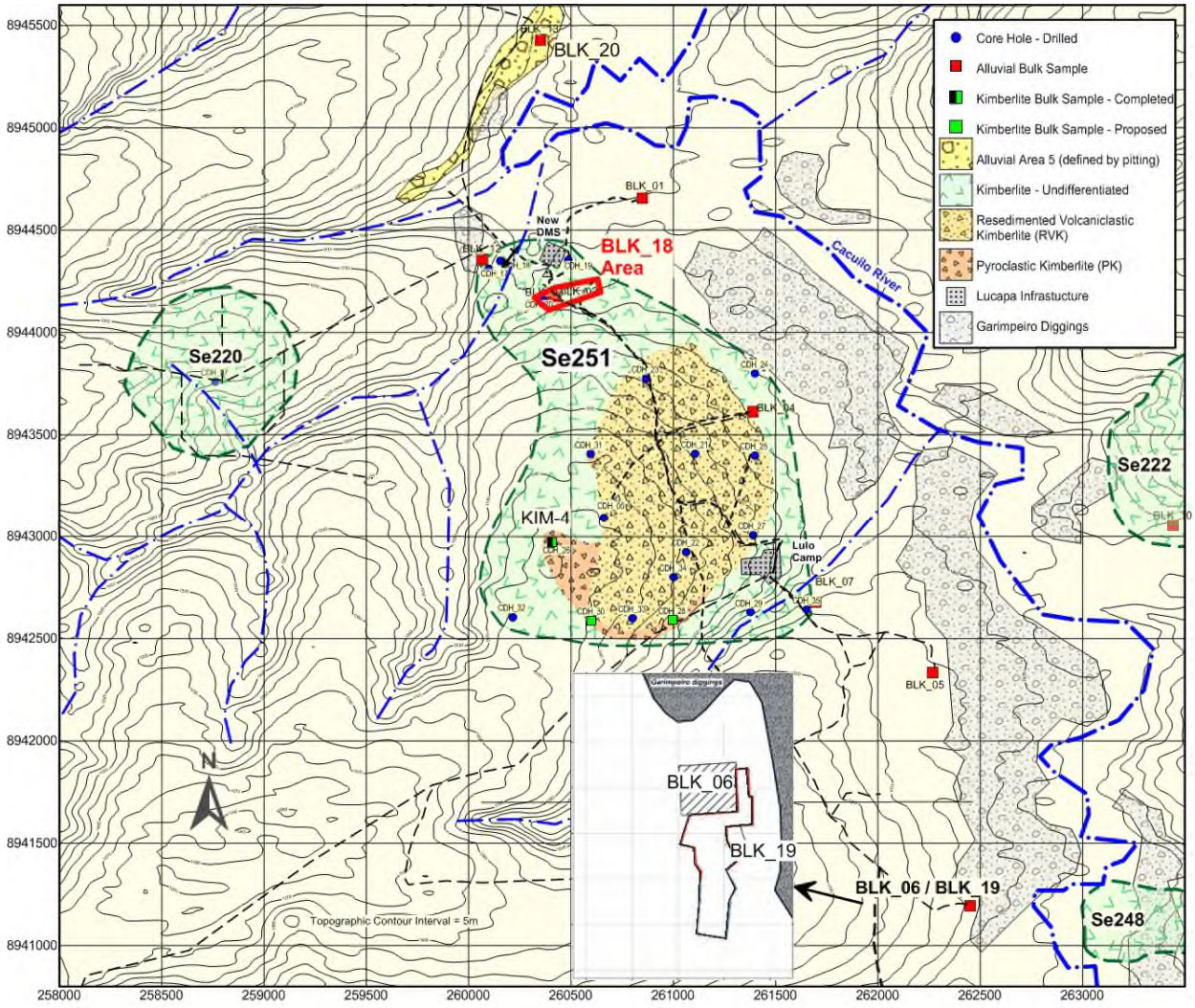

Figure 2: Location of recent exploration activities

Lucapa also recommenced work on another priority kimberlite, Se220, during the Quarter. This kimberlite is located on higher ground about 1km to the west of Se251 (Figures 2 and 3) and has remained accessible during the recent flooding.

The Se220 pipe was targeted because Lucapa geologists believe there is evidence suggesting that terrace gravels around the BLK_6/BLK_19 and BLK_8 alluvial bulk samples may be deriving some diamonds from an old tributary flowing from the west. Most of the larger (>30 carat) diamonds recovered by Lucapa are from this area.

Se220 is a large, oval-shaped kimberlite that magnetic data suggests covers more than 50ha. The Company previously drilled two diamond core holes near the centre of the pipe. The deeper of these holes intersected 117m of fine grained SRVK before passing into coarse grained PK material. The magnetic image of Se220 suggests that more magnetic PK material may lie closer to the surface near the rim of the pipe.

A soil sampling program was undertaken to determine indicator mineral concentrations over the Se220 kimberlite. A total of 83, 40kg samples were collected and field processed for kimberlitic indicator minerals. Coarser indicator minerals (+1mm) were recovered and counted.

Significantly, as shown in Figure 3, high indicator counts were identified along the northern and south-eastern margins of the Se220 pipe. The high indicator zones correspond with areas of higher magnetic gradient.

During the current quarter, Lucapa will excavate pits to determine whether coarse PK kimberlite occurs close to the surface in these areas. If PK material is located, it will be bulk sampled to determine diamond grade.

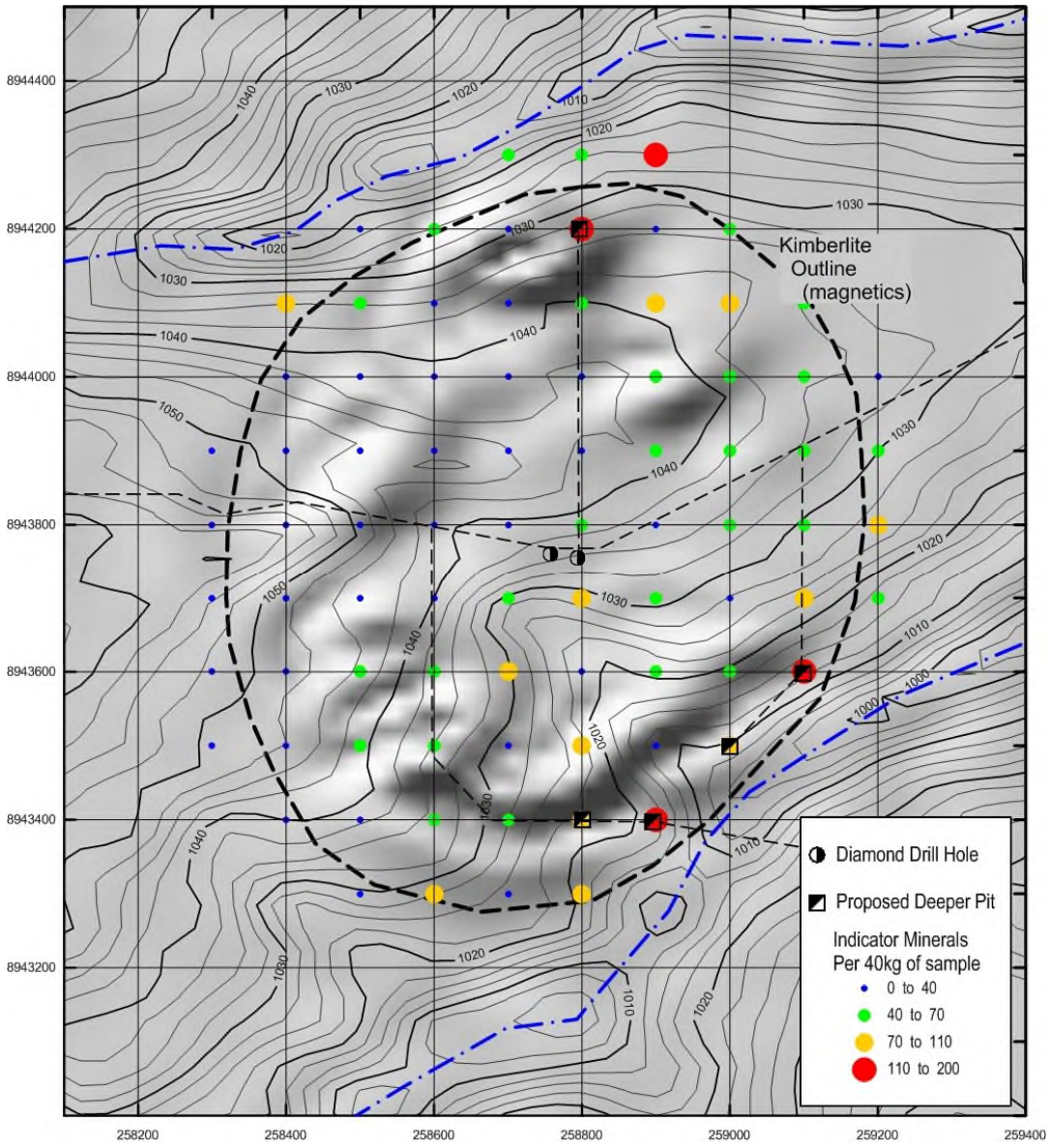

Figure 3: Work program on Se220 kimberlite pipe

In addition, Lucapa plans to bulk sample the Se248 kimberlite (Figure 2) and several kimberlites in the high-grade Se46 alluvial area during the current quarter as soon as ground conditions permit.

ALLUVIAL DIAMOND PROGRAM

Lucapa is evaluating several alluvial diamond deposits within the southern part of the Lulo Concession. The alluvial deposits contain outstanding diamonds including the occasional very large, high value stones.

Processing of both the BLK_19 and BLK_18 bulk samples was completed during the Quarter. While processing of the BLK_20 sample commenced during the Quarter, this was suspended because of severe flooding.

Details of processing and diamond recoveries for BLK_18, BLK_19 and BLK_20 are shown in Table 1. As a result of these recoveries, Lucapa's diamond inventory now stands at 584 carats.

A total of 2,951m^3 of gravel was processed from BLK_18 (Figure 2 and Table 1). This gravel was excavated from four separate pits located in an area immediately to the south of Lucapa's DMS plant and within the northern part of the large Se251 kimberlite pipe. A total of 186 diamonds weighing 140.85 carats were recovered. The largest diamond recovered weighed 5.75 carats with the average diamond size being 0.76 carats.

BLK_19 is located adjacent to the BLK_6 bulk sample pit and about 1,500m south-east of the priority Se251 kimberlite (Figure 2). Lucapa processed 1,070m^3 of gravel from BLK_19 and recovered 147 diamonds weighing 318.45 carats. The diamonds recovered from BLK_19 were remarkable for both their large size and high quality.

The two largest and most impressive of the diamonds weighed 95.45 and 32.2 carats; both were classified as rare Type 2A stones. Two of the other large diamonds recovered from the sample weighed 24.45 and 10.95 carats. The average weight of the diamonds recovered from BLK_19 was 2.17 carats.

The BLK_20 is bulk sample is located in Alluvial Area 5, where exploration pitting has defined an extensive zone of terrace gravels (Figure 2). Lucapa is still excavating and processing gravels from this sample. To date, 555m^3 of material has been processed and 36 diamonds weighing 38.8 carats recovered. The largest diamond recovered weighed 10.15 carats (see photo) with the average diamond size in the sample being just over one carat.

Diamonds from BLK_20 - 0.9 carats, 10.15 carats and 1.5 carats

Table 1 – Diamond Recoveries - Alluvial Sample Processing

Sample Number	Gravel Volume	Size Distribution[1]				Number of Stones	Weight	Ave. Size	Grade[3]	Largest Stone
	(m^3)	<1ct.	1-2ct.	2-5ct.	>5ct.		(ct)	(ct)	(cphm)	(ct)
BLK_18	2,951	145	27	9	5	186	140.85	0.76	4.8	5.75
BLK_19	1,070	100	23	13	11	147	318.45	2.17	29.8	95.45
BLK_20[2]	555	27	6	2	1	36	38.80	1.08	7.0	10.15

NOTES
1 - The DMS treats material in the 1.2 to 30mm size range
2 - Processing of sample BLK_20 is not complete. Results to 31-03-2014
3 - Grades quoted as cphm - carats per 100 cubic metres

Terrace gravels exposed in BLK_20

Lucapa will continue excavating and processing gravels from BLK_20 during the current quarter as soon as ground conditions permit.

MINING LEASE AND ALLUVIAL EXPLORATION TARGET

During the Quarter the Lulo Joint Venture partners (Lucapa, Endiama and Rosas e Petalas S.A.) agreed to apply for an alluvial diamond mining licence over part of the Lulo concession. The Mining Lease Application (MLA) area covers about 218km^2 and includes recent alluvial and terrace deposits associated with Cacuilo River. The extent of the proposed MLA is shown in Figure 4.

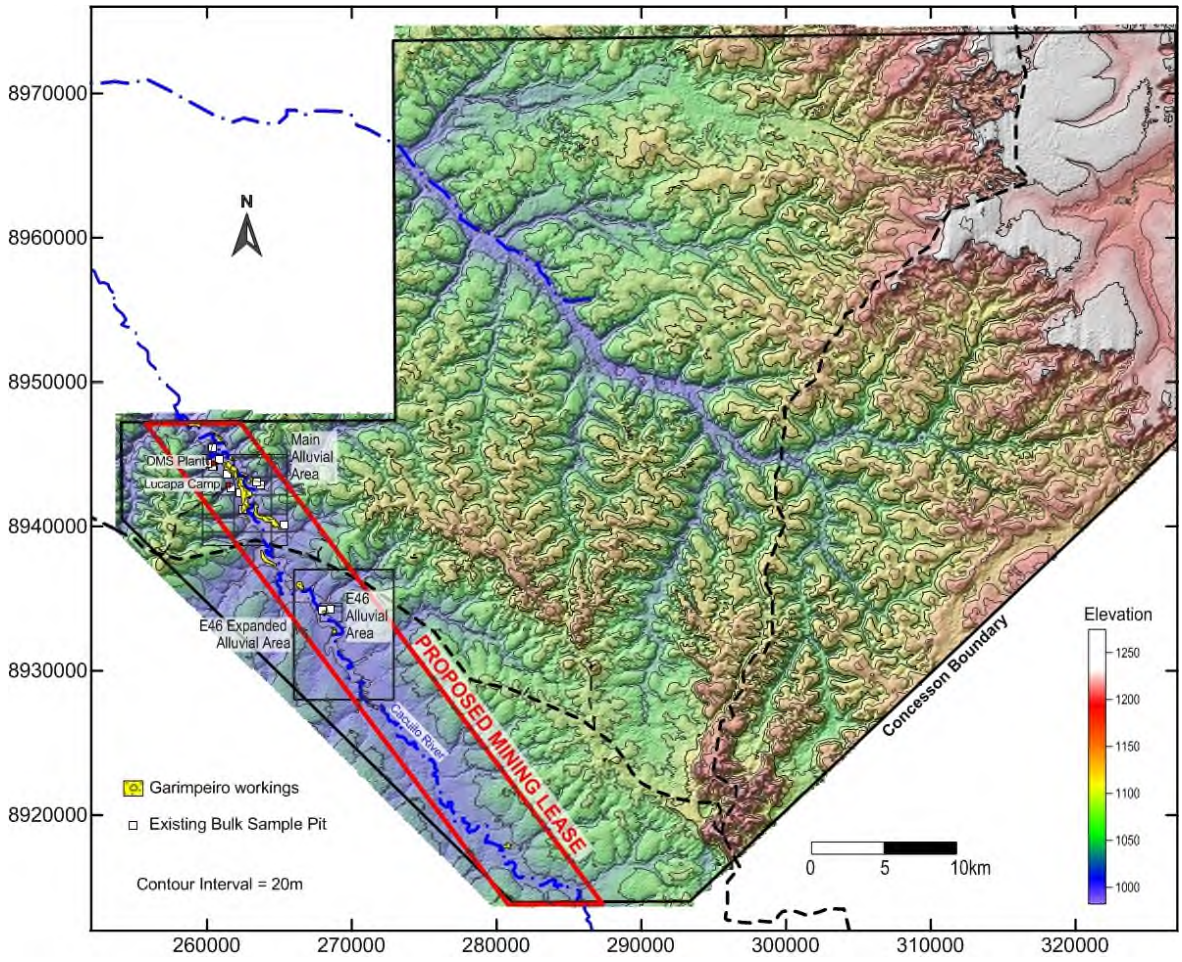

Figure 4: Proposed Mining Lease Application area

The MLA is centred on an Exploration Target generated by Lucapa geologists and described in detail in the ASX announcement of 5 March 2014. It should be emphasised that the potential quantity, grade and diamond value described in the Exploration Target is conceptual in nature, that there has been insufficient exploration to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Lucapa believes the MLA has the exploration potential to host economic alluvial diamond deposits containing at least 500,000 carats of diamonds with a value of US$500/carat.

Apart from the Exploration Target, Lucapa has also completed the Economic Viability Technical Study and Environmental Management Plan required under Angolan regulations in support of the MLA. The timing of granting of any mining licence remains uncertain.

EXPLORATION TARGET

The Exploration Target detailed in the 5 March 2014 ASX announcement is conceptual in nature but uses Lucapa's existing exploration data as a basis for estimations of volume of gravel, diamond grade and diamond value. Much additional exploration will be required to confirm whether the extrapolations outlined can be justified.

The valley of the Cacuilo River contains significant diamondiferous gravel deposits that have been partially exploited by artisanal miners and more systematically tested by Lucapa. The gravels are of several different ages and include old elevated terrace deposits and extensive more recent alluvial deposits associated with the present day Cacuilo River. Figure 5 is a Google Earth image of a section of the Cacuilo Valley and shows the relationship between the elevated terraces and the flood plain deposits along the Cacuilo River.

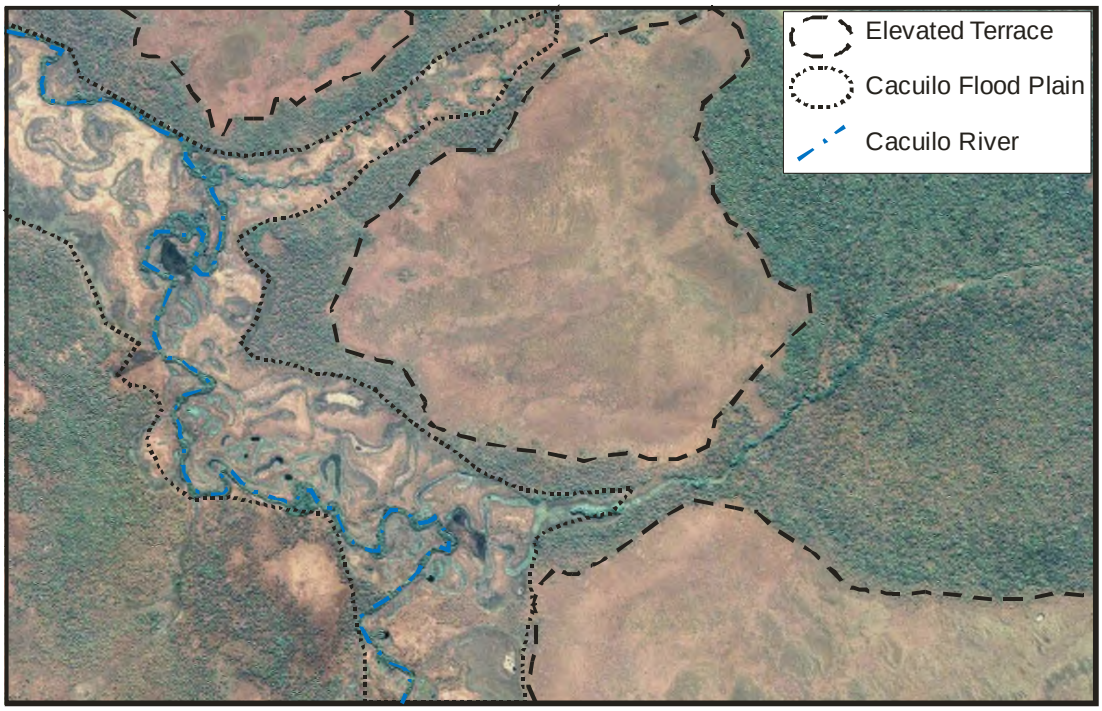

Figure 5: Google Earth image of a section of the Cacuilo River

During 2013 Lucapa identified diamondiferous gravels in an elevated terrace in the E46 alluvial area. The terrace is topographically well defined and lies 5-15m above the present day Cacuilo River. Within the MLA, similar terraces can be recognised along the length of the Cacuilo River valley (Figures 5 and 6).

While the elevated terraces have been extensively worked by artisanal miners in the north-western part of the MLA, other terraces, including those in the E46 area, remain essentially untouched. The diamond grades identified by Lucapa in the E46 alluvial area (20+ carats per 100m^3) are similar to those found in terrace gravels tested in north-western part of the MLA (the Main Alluvial Area). During the coming 12 to 18 months, Lucapa hopes to demonstrate that similar diamond grades will occur in other elevated terraces along the Cacuilo River.

At this stage, other elevated terraces along the Cacuilo River (Figures 6) have not been explored, but for the purposes of the Exploration Target, it is assumed they are generally similar to the E46 area. Within the 51 hectares of elevated terrace tested by pitting in the E46 area, basal gravels were identified over an area of about 35 hectares. The gravels were up to 1.6m thick, with an average thickness of about 0.4m.

The area covered by the elevated terraces shown in Figure 6 has been calculated at about 2,500 hectares and Lucapa estimates that the volume of terrace gravels present will be about 5 million cubic metres.

The recent, lateritic alluvial gravels are associated with the current Cacuilo River and are more widespread and lower grade than terraces. They have not been as extensively worked and are believed to be widely developed along the current Cacuilo River. Lucapa estimates that at least 5 million cubic metres of recent gravels will also occur within the MLA.

The lateritic gravels generally have a lower diamond grade than the terrace gravels but are easier to mine and process. The Company envisages that if mining proceeds, terrace gravels and lateritic gravels will be mined in about equal proportions. This should optimise DMS plant throughput.

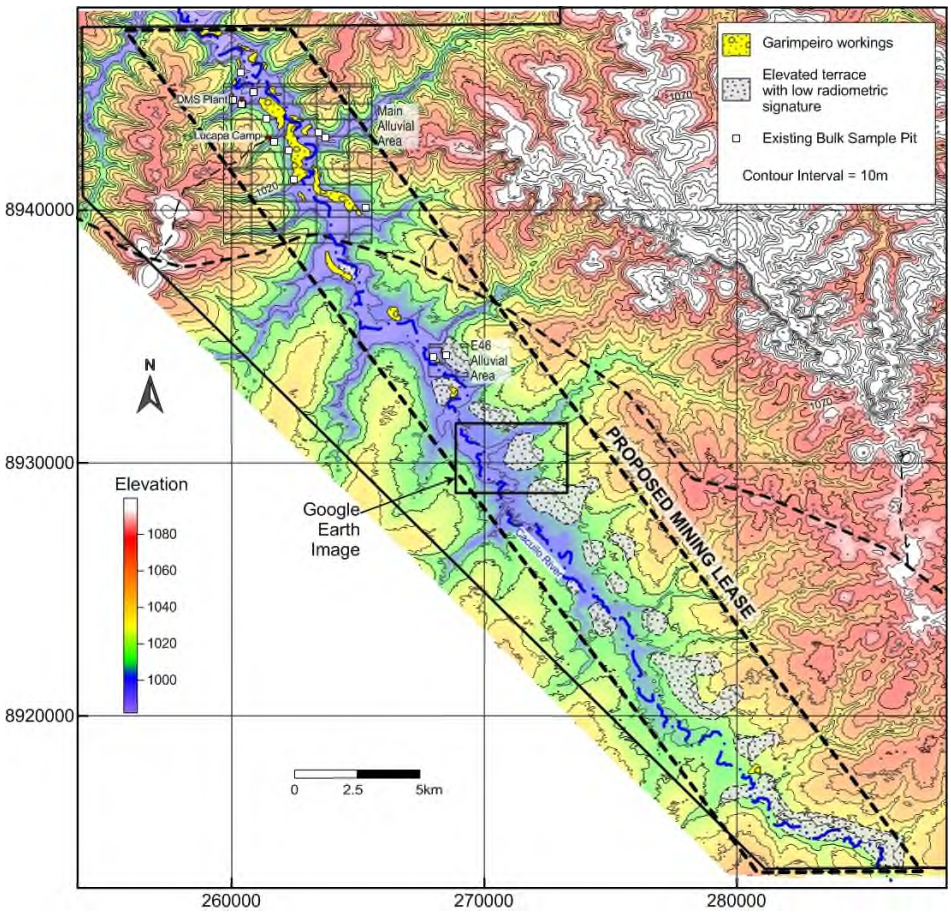

Figure 6: Proposed MLA and elevated terraces

Bulk samples collected from both the elevated terraces and the recent lateritic gravels have produced a wide range of diamond grades. The table below summarises the average grades for terrace and lateritic gravels from the Lulo area. Base on the very limited available data, and for the purposes of the Exploration Target, it has been assumed that the grade of the terrace gravels is 20 carats per 100m^3 (cphm) and the grade of the lateritic alluvials is assumed to be 5cphm.

It is likely that grade to the plant will vary considerably and will be in the range of 5cphm to 15cphm with 10cphm considered the most likely scenario.

	Sample Type	Gravel Processed (m^3)	Stones Recovered (total)	Diamond Weight (ct)	Sample Grade ($ct/100m^3$)
Main Alluvial Area	Calonda Terrace	2,730	398	793.85	29.07
Main Alluvial Area	Lateritic	796	60	39.30	4.93
E46 Area	Calonda Terrace	287	57	61.10	21.27
NOTES 1) Lucapa treated gravel in the +1.2mm -34mm size range. 2) Grade is quoted in carats per 100 cubic metres of gravel.					

In alluvial diamond deposits, diamond value is a critical parameter. This is also the most difficult parameter to quantify as individual diamonds have a major impact on average value. To date, Lucapa has sold or had valued, two packages of diamonds with a total weight of 867.05 carats for a total of $US6,029,614, giving an average price of $US6,954/ct. Most of the value in the two diamond parcels related to special stones, that is, diamonds larger than 10 carats or fancy colored stones.

If the special diamonds are not included in the packages, the average value of the remaining diamonds is $US465/carat.

An average value of $US500/carat has been attributed to the diamonds for the Exploration Target model. This is probably on the low side as work to date suggests that special stones are a normal part of the Lulo production.

In summary, based on the data available, the Exploration Target sought by Lucapa comprises about 5 million cubic metres of alluvial gravel with an average grade of 10cphm. This would generate a 500,000 carats of diamonds with an estimated per carat value of $US500. It must be emphasised that this is an estimate of the exploration potential of the MLA and is not a projection or forecast of the amount of diamonds that may be extracted from the MLA. The table below summarises the anticipated range of values for volume, grade and diamond value for the exploration target.

	Units	Suggested Minimum	Suggested Maximum	Preferred Value for Exploration Target
Target Volume	Millions of m^3	5	10	5
Target Grade	Carats per $100m^3$	5	15	10
Diamond Value	US $ per carat	$465	$6,954	$500

Over the coming 12-18 months, Lucapa will undertake pitting and bulk sampling programs to establish the validity of the Exploration Target with the aim of defining a JORC compliant diamond resource within the area.

Future alluvial exploration will have a dual focus. Gravels within Lucapa's main alluvial area will continue to be targeted because of the number of large, high-value diamonds being recovered from the area. This work also assists in focusing the kimberlite exploration into the most prospective areas. Work will re-commence in the E46 alluvial area and gradually extend into the recognised terraces predominantly to the south-east of E46.

The character and size distribution of diamonds in the E46 terrace is not well understood. Although the average size of diamonds recovered from the area is more than one carat, no large special stones (>10 carats) have been recovered to date. The presence, or absence, of large, high-value diamonds is critical in determining average diamond values and currently insufficient material has been processed to determine this important issue.

CORPORATE

On 7 April 2014, Lucapa announced the Company had raised $5.5 million, less costs, in a placement of shares to sophisticated investors. The placement involved the issue of approximately 917 million new shares at an issue price of $0.006 per share, together with approximately 458 million listed options at no further consideration on the basis of one options for every two placement shares.

The issue of the options, which are exercisable at $0.01 on or before 29 August 2015, remains subject to shareholder approval at the Company's Annual General Meeting (AGM) to be held on 21 May 2014.

The placement was lead managed by Canaccord Genuity (Australia) Limited and supported by CPS Capital Group.

A resolution will also be put to shareholders to consider, and if though fit approve, a 30:1 consolidation of the Company's shares and options (both listed and unlisted).

On 17 April 2014, Twynam Agricultural Group Pty Ltd lodged an initial substantial shareholder notice declaring a 5.23% shareholding in Lucapa after subscribing for 250 million shares in the placement.

For further information please contact:

MILES KENNEDY
MANAGING DIRECTOR

Tel +61 8 9489 9200

Competent Person's Statement

Information in this announcement that relates to exploration results, exploration targets, mineral resources or ore reserves is based on and fairly represents information and supporting documentation prepared and 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. 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 2012 Edition of the Australasian Code for Reporting Exploration Targets, 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.

Some of the information in this announcement may relate to previously released exploration data disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported and is based on and fairly represents information and supporting documentation prepared and 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. 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 2012 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.

Forward-Looking Statements

This ASX release has been prepared by Lucapa Diamond Company Limited. This document contains background information about Lucapa Diamond Company Limited and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement. This announcement is for information purposes only. Neither this document nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.

This announcement may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction. This document does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this document are not intended to represent recommendations of particular investments to particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

No responsibility for any errors or omissions from this document arising out of negligence or otherwise is accepted. This document does include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Lucapa Diamond Company Limited. Actual values, results, outcomes or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements.

Any forward-looking statements in this ASX release speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, Lucapa Diamond Company Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions or circumstances on which any such forward-looking statement is based.

Appendix - Reporting of diamond exploration results for the Lulo Project
– JORC Code (2012) requirements –

Sampling Techniques and Data

Criteria	JORC Code Explanation	Lucapa Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Bulk sample results are reported. The bulk samples were collected from surface excavations using an excavator and trucks. For kimberlite samples overburden of Kalahari sand and Calonda Formation were stripped and weathered kimberlite was exposed. Sample comprised kimberlitic material only. For alluvial samples overburden of Kalahari sand and Calonda Formation sand and silt were stripped and basal Calonda gravel exposed. The gravel + some underlying basement material (<30cm) was excavated. • The sampling is exploratory in nature and generally is seeking to identify diamondiferous lithologies. Samples are relatively large (typically >100m^3) and by their nature are representative. In the case of BLK_18 four pits were excavated over a wider area to improve representivity of the sample. • Diamonds occur in very low concentrations in most lithologies. They also occur as discrete crystal particles and these must be physically separated and recovered to determine grade. Individual diamonds are unique and their value depends on factors including size, shape, colour and clarity. Large samples (tens to hundreds of tonnes) are required to identify the presence of commercial diamonds. Samples in the order of tens of or hundreds of thousands of tonnes are required to establish reliable grade and value for diamond deposits
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• No drilling is reported in this document.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• No drilling is reported in this document • Sample recovered using an excavator and front-end loader. Sample area visually inspected and all gravels excavated to basement. • No relationship appears to exist between sample recovery and grade. All material within the sampled interval is collected for treatment.

Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Sample pits are lithologically logged and measured to determine gravel volumes. • Logging is semi-quantitative with edge thicknesses measured of the entire pit. Pits are photographed, but the photography is not systematic. • All excavated faces of the pits are logged
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Not core. No sub-samples are taken. All material excavated is processed to recover diamonds. • Most of the samples are excavated dry and all material is taken. • The sampling and sample preparation are identical to those that would be used for mining and are considered appropriate for this type of sampling. • Samples are disaggregated during excavation and washed through a scrubber. The process is identical to that which would be used for mining and results are considered representative. • Sample size is appropriate for the material being sampled.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• Samples are processed though a Dense Media Separation (DMS) plant. Recovery in the size fractions used on the plant is considered total. • Samples are processed through the Company's DMS Plant to produce a heavy concentrate. Diamonds are recovered from the heavy concentrate using a Flowsort x-ray sorting machine followed by visual sorting. • DMS efficiency is monitored using density beads
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• No verification of sample data at an independent facility has been undertaken due to the very large size of the samples and the lack of appropriate facilities in Angola. • Twinned holes are not used because of the size of the sample. • Entry of primary data has been checked and loaded into a sampling spreadsheet. • Assay data are not adjusted
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations*	• Sample sites were located using a hand held GPS with a nominal accuracy of about 5m. • The grid system is WGS84 Zone 34L

	used in Mineral Resource estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Topographic control uses Digital Terrain Models collected during aeromagnetic surveys. In pit measurements are recorded with tape measures
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Data in this report comes from individual pits where all the material from that pit has been, or will be processed. • The pit spacing is currently related to exploration and is not appropriate for Mineral Resource and Ore Reserve estimation. • Sample compositing has been applied for the BLK_18 sample. For this sample 4 pits over a wide area were excavated to improve sample representivity
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The samples are considered spot samples within either an alluvial or kimberlitic body. • Insufficient data exists to determine whether sample bias is present
Sample security	• *The measures taken to ensure sample security.*	• Sample stockpiles are located near the company's processing facility and are guarded by armed security personnel at all times. • Security of processing and diamond recovery is monitored by company and Angolan State Diamond Security personnel.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The sampling techniques are industry standard and no audits or reviews have been undertaken

Reporting of Exploration Results

Criteria	JORC Code Explanation	Lucapa Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The 1994 legislation covering the Angolan diamond industry stipulates that only ENDIAMA (Empresa Nacional de Diamantes de Angola, the State Diamond Company) or joint ventures with ENDIAMA, can hold diamond mining rights awarded by the Council of Ministers. • Under the terms of the Lulo Joint Venture Association Agreements, separate titles are granted for alluvial and kimberlite mining. The exploration for both alluvials and kimberlites on the Lulo Concession is a requirement under the Act. • The Angolan Government Gazette, dated 24 December 2007, authorized the formation of a Joint Venture for the exercise of prospecting, evaluation and mining of secondary (alluvial) diamond deposits. These rights were granted for a maximum period of five years. Should the Joint Venture wish to extend the agreement beyond five years, then 50% of the Concession would be relinquished. The equity distribution is: ENDIAMA 32.2%, Lucapa Diamond Company Ltd 40%*, Rosas e Petalas S.A. 28% (*This interest will be reduced to 30% after recoupment of the investment.) • On 18 July 2008, the authorization for the kimberlite exploration and mining was gazetted. The equity distribution is: ENDIAMA 33%, Lucapa Diamond Company Ltd 39%*, Rosas e Petalas S.A. 28% (*This interest will be reduced to 30% after recoupment of the investment.). • Lucapa Diamond Company Limited is the operator of the Concession and is obliged to fund and execute all exploration activities according to a Program of Work pre-approved by ENDIAMA. • The Joint Ventures Alluvial licence was extended for two years to December 2014. Application to extend Kimberlite Licence for two years until June 2015 is being processed.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Limited exploration has been undertaken by state controlled entities.

		• Parts of the area have been exploited by artisanal miners – no records of this work are available.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Significant diamond bearing alluvial systems, of Mesozoic to Recent ages overlie a major, but relatively poorly explored, kimberlite field. The kimberlite pipes intrude flat-lying Proterozoic sediments within the Lucapa Graben. The kimberlite field is believed to be the source of the alluvial diamonds.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception dept hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• No drilling is reported in this document. • The location of the sample pits is shown on maps within this report. The maps provide data on the location and relative elevations of the samples. The sample pits are surface excavations and other data required in the code is not material and its exclusion does not detract from the understanding of the report.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No weighting, averaging, grade truncations or cut-off grades have been used. • No short or long length aggregation applicable. • No metal equivalent values are used
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• Results quoted are from surface pits. For the alluvial sample, the entire gravel horizon was sampled. • Non-drillhole, in pit sampling, not applicable length concepts.

Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Appropriate map and plans for the reported mineralisation with scale and north points are included with the text of the report.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• The results reported are all of the results. For BLK_20 the results are progress results with more material still to be treated. Results reported are up to 31-03-2014
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Previously reported drilling, pitting and bulk sampling data were used to site bulk sample pits. The collar locations of drill holes, exploration pits and bulk samples are shown on diagrams within the report
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Excavation and processing of material from BLK_20 is ongoing and results will be reported progressively. Additional bulk sampling of the Se251 kimberlite will be undertaken. A program to explore extensions/repetitions of the Se46 Alluvials is proposed

Estimation and Reporting of Diamonds and Other Gemstones

Criteria	**JORC Code Explanation**	**Lucapa Commentary**
Indicator minerals	• *Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.*	• Samples were collected from hand-dug prospecting pits approximately 0.7m deep • Indicator minerals were concentrated and recovered in the field by hand panning of samples. • Indicator grains were identified and counted by an experienced Lucapa geologist using a x10 Loupe. Only +1mm indicator minerals were counted.
Source of diamonds	• *Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.*	• The diamonds reported have a variety of sizes, shapes and colours. The diamonds were recovered from alluvial gravels of the Mid-Cretaceous Calonda conglomerate. These are essentially fanglomerates and braided stream sediments. At Lucapa the primary, kimberlitic source of the diamonds are believed to be kimberlites located within the Lulo Concession.

Sample collection	• *Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).* • *Sample size, distribution and representivity.*	• Samples reported are bulk samples of alluvial gravels. The samples are designed to determine whether the units sampled are diamondiferous and to what extent. The samples are also designed to determine stone size distribution and eventually diamond values. • Lucapa are conducting exploration activities to locate diamondiferous lithologies. The sample size, distribution and representivity are appropriate for this activity
Sample treatment	• *Type of facility, treatment rate, and accreditation.* • *Sample size reduction. Bottom screen size, top screen size and re-crush.* • *Processes (dense media separation, grease, X-ray, hand-sorting, etc).* • *Process efficiency, tailings auditing and granulometry.* • *Laboratory used type of process for micro diamonds and accreditation.*	• Samples are processed through Lucapa's DMS plant. The plant uses a 420mm diameter cyclone and has a nominal treatment rate of 50 tonnes per hour. The plant is not accredited. • Samples are disaggregated during excavation and washed through a scrubber. The bottom screen size is 1.2mm (slotted) and the top size is 30mm. • The recovery process involves DMS separation, X-ray sorting of the heavy concentrate and hand sorting of the X-ray concentrate. Larger diamonds are characterised using a ZVI Yehuda F1000 Colorimeter. • Lucapa are processing the material through a recently commissioned DMS plant. Processing efficiency has been demonstrated in density bead recovery tests. Tails auditing and granulometry studies have not been completed. • Microdiamonds are not reported.
Carat	• *One fifth (0.2) of a gram (often defined as a metric carat or MC).*	• Reported as carats.
Sample grade	• *Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.* • *The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.* • *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).*	• Sample grade is quoted in the text in units of carats per 100 cubic metres for alluvials. • A nominal 1.7 tonnes per cubic metre is ascribed to the alluvial gravels and weathered kimberlite. Limited density measurements have been made and the use of an "average" density is considered appropriate for the stage of exploration. • The table in the report reports average carats per stone and carats per unit volume. Stones per cubic metre are not reported but can be calculated from the reported data.
Reporting of Exploration Results	• *Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade*	• Exploration results are reported in the text of the report. • The density for both alluvials and weathered kimberlite samples has been determined at 1.7

	distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry. o *Sample density determination.* o *Per cent concentrate and undersize per sample.* o *Sample grade with change in bottom cut-off screen size.* • *Adjustments made to size distribution for sample plant performance and performance on a commercial scale.* • *If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.* • *The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.*	tonnes per cubic metre. This number was measured for previous samples and has been applied throughout. An approximation of this sort is considered appropriate for the stage of exploration. • Percent concentrate and undersize have not been measure and are not considered material to the understanding of this report. • Variation in grade with changes in bottom cut-off screen size has not been determined. Lucapa's DMS plant is considered to be a pilot plant and plant parameters are the same as would be used on a commercial plant. • Geostatistical studies have not been undertaken because of the relatively small number of diamonds recovered and uncertainties of using this data for alluvial deposits. • The total weight of diamonds recovered is reported in the text as are the upper and lower cut-off sizes.
Grade estimation for reporting Mineral Resources and Ore Reserves	• *Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.* • *The sample crush size and its relationship to that achievable in a commercial treatment plant.* • *Total number of diamonds greater than the specified and reported lower cut-off sieve size.* • *Total weight of diamonds greater than the specified and reported lower cut-off sieve size.* • *The sample grade above the specified lower cut-off sieve size.*	• No Mineral Resources or Ore Reserves are included in the report
Value estimation	• *Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.* • *To the extent that such information is not deemed commercially sensitive, Public Reports should include:* o *diamonds quantities by appropriate screen size per facies or depth.* o *details of parcel valued.* o *number of stones, carats, lower size cut-off per facies or depth.* • *The average $/carat and $/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.*	• Value estimates are based on recoveries from a commercial scale DMS plant. Total liberation methods have not been employed. • Much of the detailed diamond valuation data is considered commercially sensitive and the independent valuer, Jaguar Pty Ltd has not allowed details of the valuation to be released. • Broad details of the parcel valued are included in the text. • The parcel valued includes all diamond held by Lucapa at the time the valuation was undertaken (February 2014). • The bottom cut-off used is the same as the plant – 1.2 mm slotted screen. • Values are reported in US and Australian Dollars. • Details of the basis of the valuation are

	• *The basis for the price (e.g. dealer buying price, dealer selling price, etc).* • *An assessment of diamond breakage.*	included in the text. • No significant diamond breakage was recognised.
Security and integrity	• *Accredited process audit.* • *Whether samples were sealed after excavation.* • *Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.* • *Core samples washed prior to treatment for micro diamonds.* • *Audit samples treated at alternative facility.* • *Results of tailings checks.* • *Recovery of tracer monitors used in sampling and treatment.* • *Geophysical (logged) density and particle density.* • *Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.*	• There has been no accredited process audit. • Samples were monitored by armed guards after excavation and the process operation was monitored by Angolan State Diamond Security personnel. • Diamonds recovered are stored in a locked vault and retained on site. The diamonds have not yet been cleaned or valued. • Microdiamonds were not processed • No audit samples were collected because of the size of the bulk samples. • Tailings have not been checked. • Tracer monitors were used in sample treatment with tracer recovery in all tested size fractions >95% for tracers of density 3.5 g/cc • Geophysical densities were not determined. • Gross validation of weights with hole volume and density is not considered appropriate for the stage of exploration
Classification	• *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.*	• Insufficient diamonds have been recovered to allow Lucapa to quantify the uncertainty in stone frequency, stone size or diamond grade, as yet.