



LUCAPA
DIAMOND COMPANY

ASX Announcement

21 May 2014

MANAGING DIRECTOR'S ADDRESS

Lucapa Diamond Company Limited (ASX: LOM) advises that the Managing Director's Address attached to this announcement will be presented to shareholders at today's Annual General Meeting, to be held at 10.00am WST at the Celtic Club, 48 Ord Street, West Perth.

For further information please contact:

MILES KENNEDY
MANAGING DIRECTOR

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Thank you Mr Chairman and welcome ladies and gentlemen

Let me start by saying that the advancements we have made at the Lulo Diamond Concession since the last annual general meeting of shareholders have reinforced the Board's view that Lulo is the most exciting diamond project in the world.

I will briefly summarise some of the advancements and milestones which Chairman Gordon Gilchrist touched on in the Company's recent annual report.

We have succeeded in commissioning our new Dense Media Separation (DMS) diamond plant at Lulo, which has operated efficiently and well beyond its 50 tonne per hour nameplate design capacity.

We have continued to recover large and valuable diamonds through our new DMS plant, including Type 2A gems weighing 95.45 carats and 32.2 carats.

We were able to sell the first parcel of Lulo diamonds (496.2 carats) for \$A3.12 million and have since had a second parcel of 371.35 carats of Lulo diamonds independently valued at \$A3.52 million – representing an exceptional average price of A\$9,500 per carat.

These sales and valuations prove beyond any doubt that the alluvial diamonds Lucapa is recovering from Lulo are indeed world class.

Your Company has also completed an aeromagnetic survey over the remainder of the 3,000km² Lulo concession which had not previously been surveyed. This survey identified a new kimberlite province to the north of the concession, as well as a cluster of new kimberlite targets around the priority Se251 kimberlite pipe. Significantly, this is the very same area where we have been recovering our biggest and most valuable alluvial diamonds.

We have also made progress towards another significant milestone, which is to mine and sell alluvial Lulo diamonds and thus generate sustainable cash flows for the Company into the future.

The Mining Lease Application we are seeking covers a 218km² alluvial area at Lulo. This application is supported by an exploration target generated by our geological team which indicates the area to be mined could host economic diamond deposits containing at least 500,000 carats.

We have also raised the necessary funding to pursue our goals, with a recent \$5.5 million capital raising closing heavily over-subscribed.

On a more recent note, I can also report that operations at Lulo have resumed following the wet season and that we are continuing to recover alluvial diamonds through our DMS plant. We are also about to start processing sample excavated from Se251 and other priority kimberlite targets at Lulo as we close in on the source, or sources, of the proximal alluvial diamonds.

This could make for an extremely exciting June Quarter, but I insert the caveat here, that we will not process kimberlite material until the kimberlite licence is extended.

Another milestone we had hoped to achieve before today's annual meeting was the extension of the Company's kimberlite licence at Lulo. Unfortunately, as we speak, that extension has not been achieved.

We have, however, made significant progress in achieving that outcome.

You may recall at last year's annual meeting there were similar delays relating to the sale of our first parcel of Lulo diamonds.

Ironically, within a week of that AGM, we were able to announce that the diamonds had been sold for gross proceeds of \$3.12 million.

In that regard, I am confident history will repeat itself.

We should not lose sight of the potential rewards of operating in Angola. This potential has been recognised by the world's two biggest diamond mining companies – Alrosa and De Beers – which are both looking to expand their interests in Angola.

There is one more matter I should mention. We were previously asked by the Angolan authorities not to sell any more diamonds until the alluvial mining licence had been granted by Endiama. However we have now received a request from Endiama requiring us to arrange the tender of the parcel of 371.35 carats of diamonds as soon as possible. As such, we are preparing for the sale process as required.

As I stated at last year's annual meeting, the Board maintains its unwavering confidence in the Lulo diamond project. We look forward to the year ahead with great excitement.

Miles Kennedy
Managing Director
Lucapa Diamond Company Ltd
Perth, Western Australia

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