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**LUCAPA DIAMOND COMPANY LIMITED**

**ACN 111 501 663**

**NOTICE OF 2015 ANNUAL GENERAL MEETING**

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**TIME:** 11.00am (WST)

**DATE:** 28 May 2015

**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**

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**MEETING DETAILS**

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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 Thursday, 28 May 2015 at 11.00 am (WST).

**YOUR VOTE IS IMPORTANT**

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

**VOTING ELIGIBILITY**

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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 Wednesday, 27 May 2015.

**VOTING AT THE MEETING OR BY PROXY**

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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](http://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 11.00am (WST) on 26 May 2015.

**VOTING BY PROXY**

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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**

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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**

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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**

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The Meeting is intended to give Shareholders the opportunity to hear both the Chair and the Company's 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.

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## **BUSINESS OF THE MEETING**

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### **AGENDA**

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#### **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 2014.

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#### **1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

To consider and, if thought fit, to pass with or without amendment the following resolution as a 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:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) 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.

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#### **2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR MILES KENNEDY**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

*“That Miles Kennedy who retires in accordance with rule 6.3(c) of the Constitution, and being eligible offers himself for re-election, be re-elected as a Director.”*

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**3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR MR ALBERT THAMM**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

*“That Albert Thamm who retires in accordance with rule 6.3(i) of the Constitution, and being eligible offers himself for re-election, be re-elected as a Director.”*

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**4. RESOLUTION 4 – ISSUE OF DIRECTORS’ OPTIONS – STEPHEN WETHERALL**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders hereby approve the issue and allotment of 1,250,000 Directors’ Options to Stephen Wetherall, or his nominee(s), for no cash consideration, each of such Directors’ Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Statement, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act.”*

**Voting exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Wetherall (and any associate of Mr Wetherall). 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 the directions on the Proxy Form); or
- (b) 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).

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**5. RESOLUTION 5 – ISSUE OF DIRECTORS’ OPTIONS – MILES KENNEDY**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders hereby approve the issue and allotment of 1,000,000 Directors’ Options to Miles Kennedy, or his nominee(s), for no cash consideration, each of such Directors’ Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Statement, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act.”*

**Voting exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Kennedy (and any associate of Mr Kennedy). 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 the directions on the Proxy Form); or
- (b) 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).

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**6. RESOLUTION 6 – ISSUE OF DIRECTORS’ OPTIONS – GORDON GILCHRIST**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders hereby approve the issue and allotment of 500,000 Directors’ Options to Gordon Gilchrist, or his nominee(s), for no cash consideration, each of such Directors’ Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Statement, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act.”*

**Voting exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Gilchrist (and any associate of Mr Gilchrist). 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 the directions on the Proxy Form); or
- (b) 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).

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**7. RESOLUTION 7 – ISSUE OF DIRECTORS’ OPTIONS – ALBERT THAMM**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders hereby approve the issue and allotment of 500,000 Directors’ Options to Albert Thamm, or his nominee(s), for no cash consideration, each of such Directors’ Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Statement, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act.”*

**Voting exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Thamm (and any associate of Mr Thamm). 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 the directions on the Proxy Form); or
- (b) 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).

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**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

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**DATED: 24 APRIL 2015**

**BY ORDER OF THE BOARD**

**MARK CLEMENTS  
COMPANY SECRETARY**



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## EXPLANATORY STATEMENT

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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.

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### 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 year ended 31 December 2014 and independent auditor's report thereon.

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](http://www.lucapa.com.au).

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### 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 year ending 31 December 2014.

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.

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## **3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR MILES KENNEDY**

Miles Kennedy retires under the director rotation provisions of article 6.3(c) of the Constitution. Mr Kennedy, being eligible, has offered himself for re-election as a Director.

Mr Kennedy has held directorships of Australian listed resource companies for the past 30 years. He is Chairman of RNI NL and Marine Produce Australia Limited. Mr Kennedy was Chairman of Sandfire Resources NL, MOD Resources Ltd, Kimberley Diamond Company NL, Blina Diamonds NL, Macraes Mining Company Ltd and has extensive experience in the management of public companies with specific emphasis in the resources industry.

### **3.1 Directors' Recommendation**

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

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## **4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR MR ALBERT THAMM**

The Company's Constitution provides that a person appointed as a director of the Company by the other directors will hold office only until the next annual general meeting of the Company. Albert Thamm, who was appointed as a director by the other directors on 9 May 2014, will accordingly retire at this Meeting under the provisions of article 6.3(i) of the Constitution. Mr Thamm, being eligible, has offered himself for re-election as a Director.

Albert Thamm has 28 years' experience in exploration and mining project development in Australia, Africa and South America. His background covers base metals, gold, iron ore, nickel, diamonds, uranium, coal and industrial minerals. He is Non-executive Director of RNI NL. Previously with Coffey Mining as an Associate Consultant Geology, where he focused primarily on exploration project development, preparation of IPO technical reports, technical audits, due diligence, technical valuations and resource estimations. He holds Bachelors, Honours and Masters Degrees in Geology from the University of Cape Town and is a graduate of the University of South Africa's School of Business Leadership. He is a Fellow and Chartered

Professional of the Australasian Institute of Mining and Metallurgy and a Fellow of the Society of Economic Geologists (USA). He resides in Perth, Western Australia.

#### **4.1 Directors' Recommendation**

The Board (other than Mr Thamm) recommends that Shareholders vote in favour of Resolution 3. The Chair intends to vote undirected proxies in favour of Resolution 3.

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#### **5. RESOLUTION 4 - ISSUE OF DIRECTORS' OPTIONS - STEPHEN WETHERALL**

Under Resolution 4, Shareholders are asked to approve the issue of 1,250,000 unlisted \$0.30 options, expiring 24 months from the date of issue (Directors' Options) to Chief Executive Officer and Managing Director, Stephen Wetherall:

(a) Number, Price and Allottees

The Company will issue the Directors' Options described above to Stephen Wetherall, or his nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

If the proposed issue of Directors' Options to Stephen Wetherall (or his respective nominee(s)) is approved by Shareholders pursuant to Resolution 4, the aggregate number of options that will be issued under Resolution 4 is 1,250,000 Directors' Options.

On 20 April 2015, the Board resolved to issue 3,750,000 unlisted \$0.30 options to eligible participants pursuant to the Company's Share Option Plan and to issue the Directors' Options, subject to Shareholder approval. The exercise price represented a 36% premium to the closing price of the Shares of \$0.22 on 20 April 2015.

(b) Use of Funds Raised

No funds will be raised from the issue of the Directors' Options under any Resolution.

(c) Terms of Directors' Options

The Directors' Options referred to in Resolution 4, will be issued upon and subject to the terms and conditions outlined in Schedule 1.

(d) Other Information

The primary purpose of these issues of Directors' Options is not to raise capital, but to provide an incentive to the Directors. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Directors' Options.

The market price of the Shares during the term of the Directors' Options would normally determine whether or not the Directors' Option Holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of any Directors' Option, the Shares may be trading on ASX at a price which is higher than the Exercise Price of the Directors' Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

During the preceding 12 months ended 20 April 2015, the Company's Share price has traded from a low of \$0.175 per Share on 16 March 2015 to a high of \$0.615 per Share

on 7 October 2014. The closing price of the Company's shares on 20 April 2015 was \$0.22.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Directors' Options proposed to be issued pursuant to Resolution 4, will be transferable but not listed. Nevertheless, a value for each of the Directors' Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.082 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Directors' Options	\$0.30
Share price used (Closing ASX price 20 April 2015)	\$0.22
Expiry date (24 months from date of issue)	28 May 2017
Total number of Directors' Options	1,250,000
Risk free rate	1.80%
Black-Scholes total notional value (all Directors' Options)	\$266,512
Black-Scholes total notional value (Mr Wetherall's Directors' Options)	\$102,505

(e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

**Listed Securities:**

Ordinary fully paid shares (LOM)	205,879,103
Listed options (LOMO)	136,053,024

**Unlisted Securities:**

Unlisted options	3,750,000
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(f) Potential Dilution

If:

1. none of the existing listed or unlisted options to acquire Shares are exercised but all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's Share capital would be approximately 1.55%; and
2. all of the existing listed or unlisted options to acquire Shares are exercised and all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's fully diluted Share capital would be approximately 0.93%.

(g) Directors' Interests

As at the date of this Notice of Meeting, Mr Wetherall had a relevant interest in the number of Shares and Options set out below:

Director	Fully paid Ordinary Shares	Listed Options
S. Wetherall	65,000	nil

- (h) Directors' Remuneration  
Mr Wetherall is currently being remunerated (on an annual basis) as follows:

<b>Director</b>	<b>Base Remuneration and Fees \$</b>	<b>Super Contributions \$</b>	<b>Total \$</b>
S. Wetherall	390,000	30,000	420,000

Other than the issue of Directors' Options the subject of Resolution 4 and remuneration reviews in the normal course of the annual assessments, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Directors' Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Directors' Options.

Mr Wetherall declined to make a recommendation about the proposed Resolution 4 on the basis that he has a material personal interest in the outcome of that resolution. All other directors of the Company recommend that Shareholders vote in favour of Resolution 4 as, having considered Mr Wetherall's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper retention incentive to Mr Wetherall to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 4.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 4 (other than as directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 4.

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## **6. RESOLUTION 5 - ISSUE OF DIRECTORS' OPTIONS - MILES KENNEDY**

Under Resolution 5, Shareholders are asked to approve the issue of 1,000,000 unlisted \$0.30 options, expiring 24 months from the date of issue (Directors' Options) to Chairman, Miles Kennedy.

- (a) Number, Price and Allottees

The Company will issue the Directors' Options described above to Miles Kennedy, or his nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

If the proposed issue of Directors' Options to Miles Kennedy (or his respective nominee(s)) is approved by shareholders pursuant to Resolution 5, the aggregate

number of options that will be issued under Resolution 5 is 1,000,000 Directors' Options.

On 20 April 2015, the Board resolved to issue 3,750,000 unlisted \$0.30 options to eligible participants pursuant to the Company's Share Option Plan and to issue the Directors' Options, subject to shareholder approval. The exercise price represented a 36% premium to the closing price of the Shares of \$0.22 on 20 April 2015.

(b) Use of Funds Raised

No funds will be raised from the issue of the Directors' Options under any Resolution.

(c) Terms of Directors' Options

The Directors' Options referred to in Resolution 5, will be issued upon and subject to the terms and conditions outlined in Schedule 1.

(d) Other Information

The primary purpose of these issues of Directors' Options is not to raise capital, but to provide an incentive to the Directors. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Directors' Options.

The market price of the Shares during the term of the Directors' Options would normally determine whether or not the Directors' Option Holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of any Directors' Option, the Shares may be trading on ASX at a price which is higher than the Exercise Price of the Directors' Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

During the preceding 12 months ended 20 April 2015, the Company's Share price has traded from a low of \$0.175 per Share on 16 March 2015 2014 to a high of \$0.615 per Share on 7 October 2014. The closing price of the Company's shares on 20 April 2015 was \$0.22.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Directors' Options proposed to be issued pursuant to Resolution 5, will be transferable but not listed. Nevertheless, a value for each of the Directors' Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.082 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Directors' Options	\$0.30
Share price used (Closing ASX price 20 April 2015)	\$0.22
Expiry date (24 months from date of issue)	28 May 2017
Total number of Directors' Options	1,000,000
Risk fee rate	1.80%
Black-Scholes total notional value (all Directors' Options)	\$266,572
Black-Scholes total notional value (Mr Kennedy's Directors' Options)	\$82,004

(e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

**Listed Securities:**

Ordinary fully paid shares (LOM)	205,879,103
Listed options (LOMO)	136,053,024

**Unlisted Securities:**

Unlisted options	3,750,000
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(f) Potential Dilution

If:

1. none of the existing listed or unlisted options to acquire Shares are exercised but all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's Share capital would be approximately 1.55%; and
2. all of the existing listed or unlisted options to acquire Shares are exercised and all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's fully diluted Share capital would be approximately 0.93%.

(g) Directors' Interests

As at the date of this Notice of Meeting, Mr Kennedy had a relevant interest in the number of Shares and Options set out below:

Director	Fully paid Ordinary Shares	Listed Options
M. Kennedy	751,668	710,835

(h) Directors' Remuneration

Mr Kennedy is currently being remunerated (on an annual basis) as follows:

Director	Base Remuneration and Fees \$	Super Contributions \$	Total \$
M. Kennedy	109,589	10,411	120,000

Other than the issue of Directors' Options the subject of Resolution 5, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Directors' Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Directors' Options.

Mr Kennedy declined to make a recommendation about the proposed Resolution 5 on the basis that he has a material personal interest in the outcome of that resolution. All other directors of the Company recommend that shareholders vote in favour of Resolution 5 as, having considered Mr Kennedy's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper retention incentive to Mr Kennedy to encourage the growth of the Company and maximize the value of each Shareholder's investment in the Company.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 5.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 5 (other than as directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 5.

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## **7. RESOLUTION 6 - ISSUE OF DIRECTORS' OPTIONS - GORDON GILCHRIST**

Under Resolution 6, Shareholders are asked to approve the issue of 500,000 unlisted \$0.30 options, expiring 24 months from the date of issue (Directors' Options) to Non-executive director, Gordon Gilchrist.

(a) Number, Price and Allottees

The Company will issue the Directors' Options described above to Gordon Gilchrist, or his nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

If the proposed issue of Directors' Options to Gordon Gilchrist (or his respective nominee(s)) is approved by Shareholders pursuant to Resolution 6, the aggregate number of options that will be issued under Resolution 6 is 500,000 Directors' Options.

On 20 April 2015, the Board resolved to issue 3,750,000 unlisted \$0.30 options to eligible participants pursuant to the Company's Share Option Plan and to issue the Directors' Options, subject to Shareholder approval. The exercise price represented a 36% premium to the closing price of the Shares of \$0.22 on 20 April 2015.

(b) Use of Funds Raised

No funds will be raised from the issue of the Directors' Options under any Resolution.

(c) Terms of Directors' Options

The Directors' Options referred to in Resolution 6, will be issued upon and subject to the terms and conditions outlined in Schedule 1.

(d) Other Information

The primary purpose of these issues of Directors' Options is not to raise capital, but to provide an incentive to the Directors. Given this purpose, the Company does not



believe that there are any significant opportunity costs or benefits forgone by the issue of the Directors' Options.

The market price of the Shares during the term of the Directors' Options would normally determine whether or not the Directors' Option Holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of any Directors' Option, the Shares may be trading on ASX at a price which is higher than the Exercise Price of the Directors' Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

During the preceding 12 months ended 20 April 2015, the Company's Share price has traded from a low of \$0.175 per Share on 16 March 2015 to a high of \$0.615 per Share on 7 October 2014. The closing price of the Company's shares on 20 April 2015 was \$0.22.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Directors' Options proposed to be issued pursuant to Resolution 6, will be transferable but not listed. Nevertheless, a value for each of the Directors' Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.082 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Directors' Options	\$0.30
Share price used (Closing ASX price 20 April 2015)	\$0.22
Expiry date (24 months from date of issue)	28 May 2017
Total number of Directors' Options	500,000
Risk free rate	1.80%
Black-Scholes total notional value (all Directors' Options)	\$266,512
Black-Scholes total notional value (Mr Gilchrist's Directors' Options)	\$41,002

(e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

**Listed Securities:**

Ordinary fully paid shares (LOM)	205,879,103
Listed options (LOMO)	136,053,024

**Unlisted Securities:**

Unlisted options	3,750,000
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(f) Potential Dilution

If:

1. none of the existing listed or unlisted options to acquire Shares are exercised but all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's Share capital would be approximately 1.55%; and
2. all of the existing listed or unlisted options to acquire Shares are exercised and all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are

exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's fully diluted Share capital would be approximately 0.93%.

(g) Directors' Interests

As at the date of this Notice of Meeting, Mr Gilchrist had a relevant interest in the number of Shares and Options set out below:

<b>Director</b>	<b>Fully paid Ordinary Shares</b>	<b>Listed Options</b>
G. Gilchrist	295,001	117,501

(h) Directors' Remuneration

Mr Gilchrist is currently being remunerated (on an annual basis) as follows:

<b>Director</b>	<b>Base Remuneration and Fees \$</b>	<b>Super Contributions \$</b>	<b>Total \$</b>
G. Gilchrist	73,059	6,941	80,000

Other than the issue of Directors' Options the subject of Resolution 6, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Directors' Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Directors' Options.

Mr Gilchrist declined to make a recommendation about the proposed Resolution 6 on the basis that he has a material personal interest in the outcome of that resolution. All other directors of the Company recommend that Shareholders vote in favour of Resolution 6 as, having considered Mr Gilchrist's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper retention incentive to Mr Gilchrist to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 6.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 6 (other than as directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 6.

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**8. RESOLUTION 7 – ISSUE OF DIRECTORS’ OPTIONS – ALBERT THAMM**

Under Resolution 7, Shareholders are asked to approve the issue of 500,000 unlisted \$0.30 options, expiring 24 months from the date of issue (Directors’ Options) to Non-executive Director, Albert Thamm.

(a) Number, Price and Allottees

The Company will issue the Directors’ Options described above to Albert Thamm, or his nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

If the proposed issue of Directors’ Options to Albert Thamm (or his respective nominee(s)) is approved by Shareholders pursuant to Resolution 7, the aggregate number of options that will be issued under Resolution 7 is 500,000 Directors’ Options.

On 20 April 2015, the Board resolved to issue 3,750,000 unlisted \$0.30 options to eligible participants pursuant to the Company’s Share Option Plan and to issue the Directors’ Options, subject to Shareholder approval. The exercise price represented a 36% premium to the closing price of the Shares of \$0.22 on 20 April 2015.

(b) Use of Funds Raised

No funds will be raised from the issue of the Directors’ Options under any Resolution.

(c) Terms of Directors’ Options

The Directors’ Options referred to in Resolution 7, will be issued upon and subject to the terms and conditions outlined in Schedule 1.

(d) Other Information

The primary purpose of these issues of Directors’ Options is not to raise capital, but to provide an incentive to the Directors. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Directors’ Options.

The market price of the Shares during the term of the Directors’ Options would normally determine whether or not the Directors’ Option Holder exercises the Directors’ Option. At the time any Directors’ Options are exercised and Shares issued pursuant to the exercise of any Directors’ Option, the Shares may be trading on ASX at a price which is higher than the Exercise Price of the Directors’ Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

During the preceding 12 months ended 20 April 2015, the Company’s Share price has traded from a low of \$0.175 per Share on 16 March 2015 to a high of \$0.615 per Share on 7 October 2014. The closing price of the Company’s shares on 20 April 2015 was \$0.22.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Directors’ Options proposed to be issued pursuant to Resolution 7, will be transferable but not listed. Nevertheless, a value for each of the

Directors' Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.082 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Directors' Options	\$0.30
Share price used (Closing ASX price 20 April 2015)	\$0.22
Expiry date (24 months from date of issue)	28 May 2017
Total number of Directors' Options	500,000
Risk free rate	1.80%
Black-Scholes total notional value (all Directors' Options)	\$266,512
Black-Scholes total notional value (Mr Thamm's Directors' Options)	\$41,002

(e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

**Listed Securities:**

Ordinary fully paid shares (LOM)	205,879,103
Listed options (LOMO)	136,053,024

**Unlisted Securities:**

Unlisted options	3,750,000
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(f) Potential Dilution

If:

1. none of the existing listed or unlisted options to acquire Shares are exercised but all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's Share capital would be approximately 1.55%; and
2. all of the existing listed or unlisted options to acquire Shares are exercised and all Directors' Options are issued pursuant to Resolution 4, 5, 6 and 7 and are exercised, the total dilution effect of the issue and exercise of all 3,250,000 Directors' Options on the Company's fully diluted Share capital would be approximately 0.93%.

(g) Directors' Interests

As at the date of this Notice of Meeting, Mr Thamm had a relevant interest in the number of Shares and Options set out below:

Director	Fully paid Ordinary Shares	Listed Options
A. Thamm	24,970	90,000

(h) Directors' Remuneration

Mr Thamm is currently being remunerated (on an annual basis) as follows:

<b>Director</b>	<b>Base Remuneration and Fees \$</b>	<b>Super Contributions \$</b>	<b>Total \$</b>
A. Thamm	73,059	6,941	80,000

Other than the issue of Directors' Options the subject of Resolution 7, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Directors' Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Directors' Options.

Mr Thamm declined to make a recommendation about the proposed Resolution 7 on the basis that he has a material personal interest in the outcome of that resolution. All other directors of the Company recommend that Shareholders vote in favour of Resolution 7 as, having considered Mr Thamm's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper retention incentive to Mr Thamm to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 7.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 7 (other than as directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 7.

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## **9. RESOLUTION 8 - THE ISSUE OF SHARES UNDER LISTING RULE 7.1A**

### **9.1 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.

### **9.2 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 x 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			
	Number of Shares issued under 10% placement capacity	Funds raised based on issue price of \$0.21 (current price)	Funds raised based on issue price of \$0.105 (50% decrease in current issue price)	Funds raised based on issue price of \$0.315 (50% increase in current issue price)
<b>205,879,103 (Current Variable 'A')</b>	20,587,910	\$4,323,461	\$2,161,731	\$6,485,192
<b>308,818,655 (50% increase in current Variable 'A')</b>	30,881,865	\$6,485,192	\$3,242,596	\$9,727,788
<b>411,758,206 (100% increase in current Variable 'A')</b>	41,175,821	\$8,646,922	\$4,323,461	\$12,970,383

The table has been prepared on the following assumptions:

- (a) The Company issues the maximum number of Listing Rule 7.1A Shares;
- (b) 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;
- (c) 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%;
- (d) 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;
- (e) 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;
- (f) 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.
- (g) The issue price is \$0.21, being the closing price of the Shares on ASX on 23 April 2015.

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 mining and exploration activities on the Project Lulo Diamond Concession. Subject to the outcome of the recently announced mining and exploration programs, funds would then be used for further feasibility and evaluation studies, corporate administration costs and expansionary capital requirements; 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 21 May 2014, 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.

### **9.3 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.

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## GLOSSARY

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**\$** 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 2014.

**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.

**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).

**Director's Option Holder** means the person or persons registered as the holder of one or more Director's Options from time to time.

**Director's Options** means an unlisted Option entitling the holder to subscribe for a Share at an issue price of \$0.30, exercisable at any time before 5.00pm (WST) on a date being 24 months from the date of issue and being subject to the terms and conditions set out in Schedule 1.

**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.

**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.

**Schedule** means a schedule to this Explanatory Statement.

**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.

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## SCHEDULE 1 – TERMS OF DIRECTOR'S OPTIONS

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The terms and conditions of the Director's Options are as follows:

- (a) Definitions. For the purposes of the terms and conditions of the Director's 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 Director's Option, being \$0.30.
  - (vi) **Expiry Date** means 5.00pm (WST) on a date 24 months from the date of issue.
  - (vii) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising Director's Options.
  - (viii) **Director's 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) **Director's Option Holder** means the person or persons registered as the holder of one or more Director's 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 Director's Option carries the right to subscribe for one Share.
- (c) Director's Options may be exercised by the Director's 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.
- (d) Each Exercise Notice must state the number of Director's 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 Director's Options being exercised.
- (e) Following receipt of a properly executed Exercise Notice and Application Monies in respect of the exercise of any Director's Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
- (f) The Company will make application to have the Shares (issued pursuant to an exercise of Director's Options) listed for quotation by ASX within 7 days of the date of issue.
- (g) Shares issued pursuant to an exercise of Director's Options shall rank, from the date of issue, pari passu with existing Shares in all respects.
- (h) Director's Options carry no right to participate in pro rata issues of securities to Shareholders unless the Director's Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- (i) Each Director's 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 Director's Option Holder the opportunity to exercise the Director's Options in sufficient time to receive, before that record date, Shares issued on the exercise of Director's Options entitling participation in the pro rata issue.
- (j) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the Director's 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.
- (k) Except as noted in paragraph (j) above, a Director's Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director's Option can be exercised.

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**SCHEDULE 2 - ISSUES OF EQUITY SECURITIES SINCE 21 MAY 2014**


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<b>Date</b>	<b>Quantity</b>	<b>Class</b>	<b>Recipients</b>	<b>Issue price and discount to Market Price (if applicable)<sup>1</sup></b>	<b>Form of consideration</b>
15 August 2014	80,333,460	Quoted Options <sup>3</sup>	LOM Shareholders pursuant to Entitlements Issue announced 8 July 2014	\$0.001	Amount raised = \$80,333 Amount spent = \$80,333 Use of funds = To advance the kimberlite and alluvial exploration program at the Lulo Diamond Concession and corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds <sup>4</sup> = N/A
15 August 2014	9,907,010	Quoted Options <sup>3</sup>	Twynam Agricultural Group Pty Ltd	\$0.001	Amount raised = \$9,907 Amount spent = \$9,907 Use of funds = Corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds <sup>4</sup> = N/A
11 March 2015	24,002,500	Shares	Professional & Sophisticated Investors pursuant to the placement announced on 27 February 2015	\$0.20	Amount raised = \$4,800,500 Amount spent = \$3,005,319 Use of funds = Alluvial diamond mining operations at the Lulo Diamond Concession. Amount remaining = \$1,795,181 Proposed use of remaining funds <sup>4</sup> = To continue ramping up alluvial diamond mining operations at the Lulo Diamond Concession and to order long lead-time items required for proposed efficiency and technology improvements to the Company's 150 tonne per hour diamond treatment plant.
17 April 2015	24,002,500	Quoted Options	Professional & Sophisticated Investors pursuant to the placement announced on 27 February 2015	\$0.20	Consideration = \$Nil Current value <sup>4</sup> = \$426,663

Various Dates since 21 May 2014	22,621,696	Shares	Professional & Sophisticated Investors pursuant to the Placement as announced on 21 August 2013 and LOM Shareholders pursuant to Entitlements Issue announced 27 September 2013	\$0.30	Amount raised = \$6,786,509 Amount spent = \$6,786,509 Use of funds = To advance the kimberlite and alluvial exploration program at the Lulo Diamond Concession and corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds <sup>5</sup> = N/A
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**Information required under Listing Rule 7.3A.6 (a)**

The table below shows the total number of Equity Securities issued in the 12 month period preceding the date of the Meeting and the percentages those issues represent of the total number of Equity Securities on issue at the commencement of that 12 month period.

Equity Securities issued in the 12 month period preceding the date of the Meeting	46,624,196 Shares; and 114,242,970 Quoted Options
Percentage previous issues represent of total number of Equity Securities on issue at commencement of that 12 month period	78.98%

**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. Quoted Options, exercisable at \$0.30 each (previously \$0.01 each pre-consolidation), 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. In respect of quoted Equity Securities the value of Options is based on the closing price of the Shares (\$0.21) as the context requires on the ASX on the trading day prior to the date of this Notice. In respect of unquoted Equity Securities the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).
5. 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.

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# LUCAPA DIAMOND COMPANY LIMITED

ACN: 111 501 663

**REGISTERED OFFICE:**

34 BAGOT ROAD  
SUBIACO WA 6008

**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

«EFT\_REFERENCE\_NUMBER»

«HOLDER\_NAME»  
 «ADDRESS\_LINE\_1»  
 «ADDRESS\_LINE\_2»  
 «ADDRESS\_LINE\_3»  
 «ADDRESS\_LINE\_4»  
 «ADDRESS\_LINE\_5»

Code:

Holder Number:

## 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.

**VOTE ONLINE**

Lodge your proxy vote securely at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

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

### SECTION A: Appointment of Proxy

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

The meeting chairperson

**OR**

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 11:00am WST on Thursday 28 May 2015 at The Celtic Club, 48 Ord Street, West Perth, WA, 6005 and at any adjournment of that meeting.

If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [       ]% of the Shareholder's votes/[       ] of the Shareholder's votes.  
 (An additional Proxy Form will be supplied, on request).

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION	For	Against	Abstain		For	Against	Abstain
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Issue of Directors' Options – Mr Miles Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-Election of Director Mr Miles Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. Issue of Directors' Options - Mr Gordon Gilchrist	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-Election of Director Mr Albert Thamm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. Issue of Directors' Options - Mr Albert Thamm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Issue of Directors' Options - Mr Stephen Wetherall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. The Issue of Shares Under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the Chair is appointed your proxy or is appointed your proxy by default unless you indicate otherwise by ticking either "for" "against" or "abstain" box in relation to Resolution 1, you are expressly authorising the Chair to vote in accordance with the Chair's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

**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.

### SECTION C: Signature of Security Holder(s)

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 & Sole Company

Director

Director/Company Secretary

**Proxies must be received by Security Transfer Registrars Pty Ltd no later than 11:00am WST on Tuesday 26 May 2015.**

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LOM

LOMPX2190515

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My/Our contact details in case of enquiries are:

Name:

Number:

(  )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting 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 of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 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 contacting the Company's share registry 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 the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

#### Security Transfer Registrars Pty Ltd

**Online** [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

**Postal Address** PO BOX 535  
Applecross WA 6953 AUSTRALIA

**Street Address** Alexandria House  
Suite 1, 770 Canning Highway  
Applecross WA 6153 AUSTRALIA

**Telephone** +61 8 9315 2333

**Facsimile** +61 8 9315 2233

**Email** [registrar@securitytransfer.com.au](mailto:registrar@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 security holders, 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.

