



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Highlights

Lulo Diamond Project, Angola

Sociedade Mineira Do Lulo (Lucapa 40% and operator)

Record Mining and Production

- Diamond production - 8,853 carats (154% increase)
- Volume treated - 64,779 bcm (47% increase)
- Recovered diamond grade - 13.7 carats per 100m³ (73% increase)
- Average diamond size - 1.9 carats per stone (62% increase)
- Specials recovered - 137 (219% increase) incl 172 and 104 carat gems and 39 carat pink

Strong Cash Generation

- US\$10.3m (A\$13.6m) gross proceeds from three diamond sales
- 2016 year to date gross sale revenues of US\$36.5m (A\$50.3m) at exceptional average price of US\$2,935 (A\$4,042) per carat
- US\$6.7m SML cash balance plus 2,286 carat diamond inventory at 30 September
- Cash generation to continue in Q4 with sales incl 172, 104, 77, 72 and 71 carat diamonds
- Further cash distribution proposed to SML partners from Q4 diamond sales

Successful Development and Improvement Program

- Commissioning of new wet front end delivers immediate results
- Erection of new XRT technology and larger screens commenced to improve recovery of larger diamonds. Oversize gravel stockpiles now total ~19,000m³. Commissioning of modules commenced in October
- Larger diamond sort house and deep boiling facility in Q4 will complete 2016 plant development program

Project Lulo - Kimberlite Exploration

- Exploration at L259 and other high-priority kimberlite targets to be stepped up in anticipation of licence renewal
- Two additional drilling rigs now secured - one owned and one contracted - to expedite drilling
- Expanded airborne EM program planned over Cacuilo River and valley

Other Projects

- Preliminary exploration programs completed at the Orapa Area F (Botswana) and Brooking (Western Australia) diamond projects. Results pending

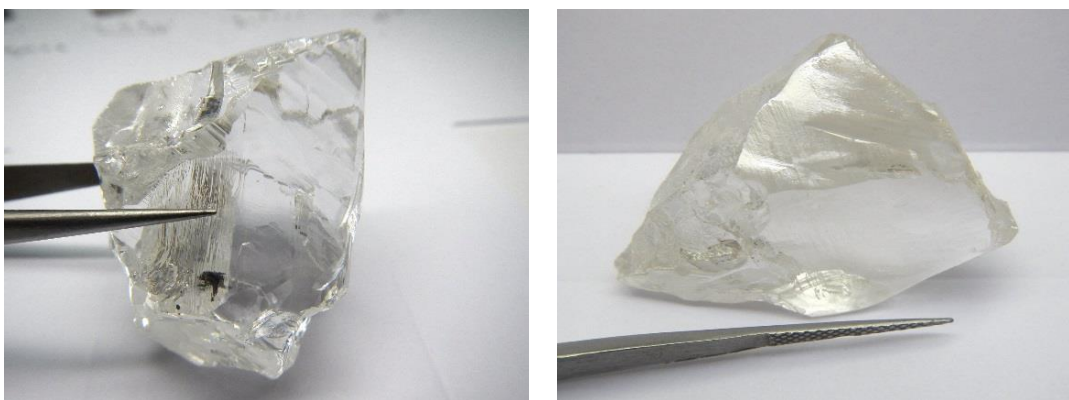
Lucapa - Corporate

- Maiden profit declared for the first half of 2016, with increased full year profit expected on the back of record operational results
- US\$7m (A\$9.1m) cash at 30 September (excluding US\$6.7m SML cash balance)
- Proposed SML distribution from record Q3 operational results will increase Lucapa's cash balance

INTRODUCTION

Lucapa Diamond Company Limited (ASX: **LOM**) (“Lucapa” or “the Company”) is a growing diamond producer and explorer. Lucapa’s flagship asset and principal investment is the Lulo Diamond Project (“Lulo”) – a partnership with Empresa Nacional da Diamantes E.P. (“Endiama”) and Rosas & Petalas over a 3,000km² concession in Angola’s Lunda Norte diamond heartland located within 150km of Catoca, the world’s fourth biggest diamond mine.

Lulo, through mining company Sociedade Mineira Do Lulo (“SML”), generates strong cash flows from alluvial mining where it recovers large premium-value diamonds of up to 404 carats. Special diamonds account for ~30% of the diamond weight, but more than 90% of overall diamond revenues, underlining the unique large-diamond nature of the resource and its future potential.



172 carat and 104 carat Type Ila D-colour Lulo diamonds



Specials weighing 33 carats and 172 carats from unsold diamond inventory

Lucapa and its Lulo partners are advancing their search to identify the primary kimberlite source or sources of these exceptional alluvial diamonds and have stepped up an exploration and drilling program at priority kimberlite targets.

Lucapa is also conducting exploration programs at two other projects - Orapa Area F in Botswana's Orapa diamond field and Brooking in the West Kimberley lamproite province in Western Australia. Both projects are considered prospective for diamond discoveries and results from preliminary exploration work are due shortly.

Lucapa's strong balance sheet and cash generating ability leave the Company well-positioned to advance development and exploration at Lulo and to conduct the exploration programs at the Company's Orapa and Brooking diamond projects.

Lucapa has a primary listing on the ASX with a secondary listing on the Frankfurt Stock Exchange. The Company has appointed Panmure Gordon & Co as its UK financial adviser with a view to considering a possible listing on the AIM Market in London.

LULO DIAMOND PROJECT, ANGOLA

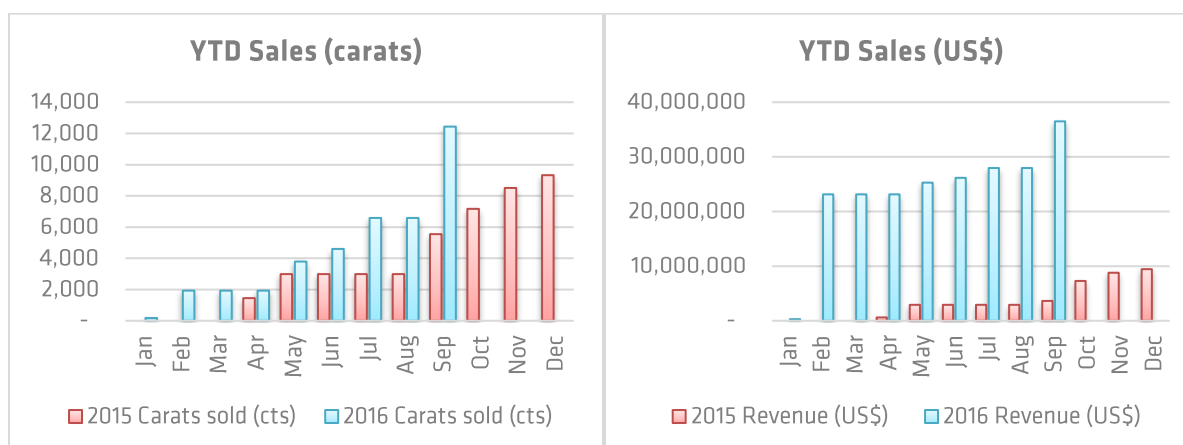
Alluvial Diamond Sales

During the Quarter, SML sold three parcels of Lulo alluvial diamonds weighing a total of 7,837 carats, an increase of 206% on the prior year (Table 1).

	Q3 15	YTD Q3 15	Q3 16	YTD Q3 16	Var Q3 16 to Q3 15	Var YTD 16 to YTD 15
Actual Sales (carats)	2,559	5,548	7,837	12,438	206%	124%
Actual Sales (US\$)	716,551	3,634,061	10,339,762	36,500,661	1,343%	904%
Actual Price per Carat (US\$)	280	655	1,319	2,935	371%	348%
Actual Sales (A\$)	1,023,644	4,690,573	13,644,365	50,271,735	1,233%	972%
Actual Price per Carat (A\$)	400	845	1,741	4,042	335%	378%
Diamond Inventory (carats)	1,779	1,779	2,286	2,286	29%	29%

Table 1: Diamond sales and average prices

The three sales achieved gross proceeds of US\$10.3 million (A\$13.6 million). This took sales in the first nine months of calendar 2016 to US\$36.5 million (A\$50.3 million), up 904% up on prior year, at an exceptional average price per carat of US\$2,935 (A\$4,042), underlining the premium quality of the Lulo diamond production and resource.



As with all previous Lulo diamond sales, the sales were conducted in Luanda by SODIAM, the Angolan Government's diamond marketing division.

SML held cash of US\$6.7 million at the end of the Quarter along with an unsold diamond inventory of 2,286 carats, including the exceptional 172 carat and 104 carat Type Ila D-colour stones recovered in September (See ASX announcements 26 September 2016 and 21 September 2016).



72 carat Type Ila D-colour diamond recovered post-Quarter

Recent (post Quarter) Special recoveries include diamonds weighing 77 carats, 72 carats and 71 carats (See ASX announcement 27 October 2016). A further two sales of Lulo diamonds are scheduled for the December 2016 quarter, further strengthening SML's cash position. As a result, a second cash distribution to Lucapa and its SML partners is anticipated.

Alluvial Diamond Mining

Mining Block 8, which in February 2016 produced Angola's biggest recorded diamond (the 404 carat 4th February Stone), remained the focus of SML's alluvial diamond mining operations during the Quarter.

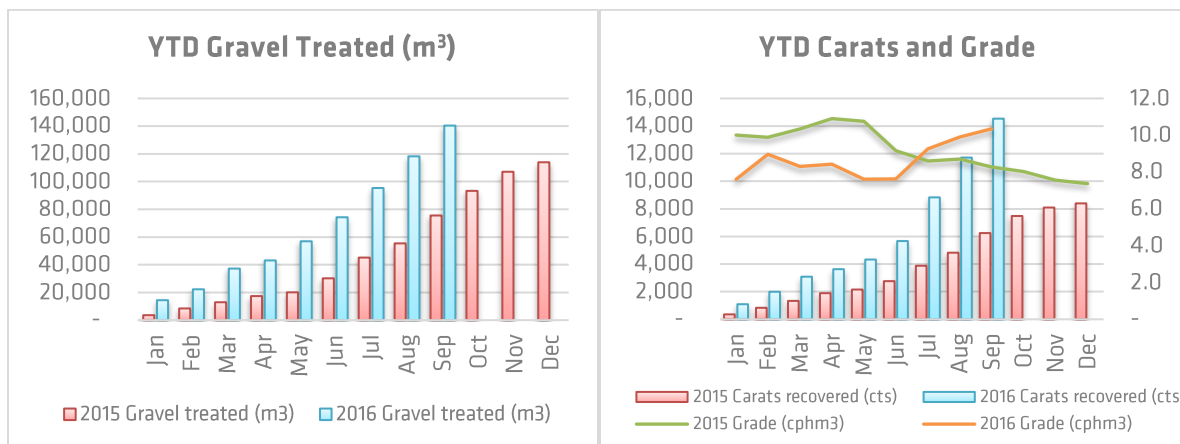
	Q3 15	YTD Q3 15	Q3 16	YTD Q3 16	Var Q3 16 to Q3 15	Var YTD 16 to YTD 15
Actual Treated m ³ (bulk)	44,009	74,185	64,779	139,017	47%	87%
Actual Carats Recovered	3,479	6,243	8,853	14,521	154%	133%
Actual Grade Recovered (cphm ³)	7.9	8.42	13.7	10.4	73%	24%
Actual No. of Stones Recovered	2,896	6,031	4,561	8,871	57%	47%
Actual Avg. Stone Size Recovered	1.2	1.0	1.9	1.6	62%	58%
Specials Recovered	43	58	137	190	219%	228%

Table 2: Alluvial diamond mining results. (Note: Year to date variance % corrected)

The successful commissioning of the new wet front end module (See Alluvial Development and Improvement Program section), the expansion of the earth moving fleet and improved mining methodologies enabled SML to achieve a series of mining and production records during the Quarter.

These quarterly records (Table 2) included:

- Volume treated of 64,779 bcm (47% increase)
- Diamond production of 8,853 carats (154% increase)
- Recovered diamond grade of 13.7 carats per 100m³ (73% increase)
- Average diamond size of 1.9 carats per stone (62% increase)
- 137 Specials recovered weighing 3,210 carats (219% and 212% increases respectively)



Fancy coloured Special diamonds recovered during the Quarter – 16 carat yellow and 39 carat pink

In addition to the 172 carat and 104 carat stones, diamond recoveries during the Quarter included a 39 carat pink, the largest and most valuable fancy coloured diamond recovered at Lulo to date.

Work was also undertaken during the Quarter to open up new alluvial mining faces in additional areas at Lulo in preparation for the Angolan wet season.

Alluvial resource extension activities conducted during the Quarter included pitting and trenching programs at the E41 and E57 alluvial terraces, ~3km upstream of the E46 alluvial terraces. The Lulo partners are awaiting results from preliminary test work in this area.

In addition, auger drilling was conducted around the Mining Block 8, 6 and 28 areas at Lulo with the aim of identifying additional alluvial gravels in these key areas.

Alluvial Development and Improvement Program

The successful commissioning of the new wet front end at the 150 tonne per hour diamond plant during the Quarter generated immediate efficiency improvements, which in turn contributed to the record processing results achieved.



New wet front end installed at the 150 tonne per hour Lulo plant during the Quarter

Installation of the new XRT large diamond recovery and sorting stream also took place during the Quarter, with the commissioning of the XRT modules commencing in late October 2016 (See ASX announcement 26 October 2016).

The installation of larger screens together with the XRT stream to process diamond bearing material between 18mm and 55mm will allow the Lulo diamond plant to recover diamonds up to 1,100 carats. The new wet front end, larger screen sizes and the XRT technology solution represent significant improvements to the plant process design and capacity.

Additionally, the new XRT solution is better suited to identify and recover Type IIa diamonds, which are poorly luminescent due to the lack of nitrogen impurities.

As previously announced, the Lulo partners have been stockpiling the oversize material (> 32mm) since the recovery of the record 404 carat diamond in February 2016. To ensure grade and source integrity, the stockpiled material, which totals approximately 19,000 bcm, will be processed through the plant in managed batches separate to the ongoing oversize material mined and processed daily.

A deep boiling facility to be housed in the larger recovery sort house complex to clean diamonds was en-route to site for installation at Quarter end. This will complete the 2016 development and improvement program, which also included an expansion of the earth moving fleet and infrastructure upgrades.

Kimberlite Exploration

The Lulo kimberlite exploration program aims to locate the primary source, or sources, of the large premium-quality alluvial diamonds being mined at Lulo.

To date, the Lulo partners have identified >300 kimberlite targets in two provinces within the Lulo concession, of which ~100 have been classified as proven or probable kimberlites and five confirmed as diamond-bearing pipes through the recovery of macro and micro diamonds.

The L259 target remained the priority focus of the kimberlite exploration program during the Quarter after earlier geophysical gravity and electromagnetic surveys defined a 78-108 hectare body at L259 consistent with the near-surface expression of a kimberlite pipe, or its crater.

L259 is located below Mining Block 8 and close to Mining Block 6, which have been regular sources of large premium-quality diamonds of up to 404 carats.

As previously advised, the Lulo partners encountered commissioning issues with the Sedidrill rig during the Quarter which required specific replacement parts to be flown into Angola.

While ongoing drilling with the Sedidrill rig at L259 continues to intersect near-surface re-sedimented volcanoclastic kimberlite (SRVK) material, or cater lake sediments, no pyroclastic kimberlite (PK) material has been identified for sampling.



The new track-mounted Hanjin drilling rig which is being shipped from Korea to Angola

During the Quarter, and in anticipation of the kimberlite licence extension, the Lulo partners agreed to step up the kimberlite drilling program by securing additional drill rigs capable of deeper and wider-diameter drilling.

A new track-mounted Hanjin D6B35 rig was purchased by Lucapa and is being shipped from Korea to Angola. The multi-purpose Hanjin rig is capable of drilling to 2,000 metres.

In addition, the Lulo partners have engaged an in-country drilling contractor who is mobilising a drill rig to site from the nearby town of Saurimo. This contract rig has PQ core capability and will assist with the Lulo kimberlite drilling program until the new Hanjin D&B35 rig arrives on site.

As previously announced, other kimberlite targets proximal to L259 scheduled to be drilled include L13, L15, E217 and L248. Diamondiferous kimberlites L19 and L46 and proximal kimberlite L18 are also scheduled to be drilled.

Drilling will continue with the Sedidrig rig, including auger drilling for resource extensional work (See Alluvial Diamond Mining section).

In addition, the Lulo partners have signed an agreement with a geophysical service provider to conduct a helicopter-borne Time-Domain Electromagnetic (EM) survey over the Caculo River and valley area. The objective of the survey is to provide additional definition of existing kimberlite targets and to identify additional non-magnetic targets.

The airborne EM survey is expected to commence mid Q4 and take four to five weeks to complete, with final data due to be received approximately six weeks after completion.

Kimberlite Exploration Licence

As previously advised, Lucapa and its Lulo partners, Endiama and Rosas & Petalas, signed off on a new three-year kimberlite exploration program during the previous quarter and submitted an application to the Angolan Ministry of Geology & Mines for a kimberlite exploration licence extension.

During the Quarter, Endiama, in a presentation to the Africa Down Under Conference, confirmed the kimberlite exploration licence would be renewed and awarded.

The timing of the renewal is entirely process-related. As such, and as with the previous licence renewal processing periods, the Lulo partners have no concerns and have committed to stepping up the kimberlite exploration and drilling program (as outlined in the Kimberlite Exploration section) while the licencing award process progresses.

OTHER DIAMOND PROJECTS

Orapa Area F – Botswana

Orapa Area F is a 16.2km² kimberlite prospecting licence located ~40km east of the Orapa diamond mine in Botswana and within ~4km of the BK02 kimberlite being bulk sampled by TSX-listed Lucara Diamond Corp. It contains two known kimberlites and a larger magnetic anomaly.

Exploration work programs conducted at Orapa Area F during the Quarter included ground magnetic, EM and gravity geophysical surveys and MMI geochemical soil sampling. Lucapa is awaiting the results and interpretation from these work programs.

Brooking – Western Australia

Subsequent to the Quarter, Lucapa agreed to acquire an 80% interest in the Brooking Diamond Project, which is located within ~40km of the Ellendale diamond field in the West Kimberley Improite province (See ASX announcement 13 October 2016). When in operation, Ellendale was the world's leading producer of rare, fancy yellow diamonds.

Lucapa expects to receive results and interpretation of its preliminary sampling work at Brooking shortly.

LUCAPA - CORPORATE

During the Quarter, Lucapa reported a maiden profit of US\$3.3 million for the half year to 30 June 2016 (See ASX announcement 13 September 2016). At 30 September 2016, Lucapa's cash balance stood at US\$7 million (A\$9.1 million).

In addition, SML (Lucapa 40% and operator) held cash of US\$6.7 million at 30 September 2016 and an unsold diamond inventory of 2,286 carats.

As mentioned, recoveries of high quality and value Special diamonds have continued post Quarter which will further strengthen SML's cash position. As such, Lucapa will disclose an increased profit for the full year and cash as a second cash distribution to Lucapa and its SML partners has been proposed.

For and on behalf of the Lucapa Board.

STEPHEN WETHERALL
CHIEF EXECUTIVE OFFICER

Schedule of Tenements as at 30 September 2016					
Country	Type	Size (km²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	2 years	39	05/2016*
Angola	Exploration (secondary) Alluvial	1,500	2 years	40	05/2016*
Angola	Mining (secondary) Alluvial	1,500	10 years	40	07/2025
Botswana	Reconnaissance	16.2	3 years	75	09/2018

** Extensions to the licences submitted to the Ministry of Geology and Mines prior to end date and waiting determination. Brooking tenements not included above as acquisition post Quarter end.*

Competent Person's Statement

Information included in this announcement that relates to previously released exploration data disclosed under JORC Code 2012. 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 Albert Thamm MSc FAusIMM (CP), who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr Thamm is a Director of Lucapa Diamond Company Limited. Mr Thamm 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 Thamm and consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

No New Information

To the extent that announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company 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.

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