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**QUARTERLY ACTIVITIES REPORT  
FOR THE PERIOD ENDED 30 JUNE 2017**

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**LULO DIAMOND PROJECT, ANGOLA**

***Sociedade Mineira Do Lulo ("SML") (Lucapa 40% and operator)***

**Mining and Production**

- Diamond production up 63% to 4,203 carats
- Recovery of Specials (large diamonds >10.8 carats) up 97% to 57
- Weight of Specials up 76% to 1,199 carats
- Volumes processed up 55% to 57,283 bcm
- Mining resumes at higher-value Mining Blocks 8 and 6 post Angolan wet season

**Continued Cash Generation**

- US\$4.8m gross diamond revenues (up 58%), taking sales for the first half of 2017 to US\$15.4m at US\$1,620 per carat
- US\$8.5m SML 30 June cash balance plus 1,716 carats held in diamond inventory

**Projecto Lulo – Exploration**

- Helicopter-borne Time Domain Electromagnetic ("TDEM") survey completed over entire Cacuilo valley area – results imminent
- Preliminary analysis of TDEM data identified L14 kimberlite, ~ 2km from Mining Block 8
- Drilling program advanced - core from seven kimberlites dispatched for mineral chemistry analysis in Cape Town
- Preliminary exploration along the Lulo River within the Mining Licence area successfully identifies alluvial gravels

**MOTHAE KIMBERLITE PROJECT, LESOTHO (Lucapa 70%)**

- Optimisations and plant throughput capacity modelling to enhance project economics
- Phase 1 mining development plan commenced, including commencement of earthworks, contract tenders, infrastructure planning and optimisation
- Technical management team strengthened with key appointments

**LUCAPA, AUSTRALIA – CORPORATE**

- US\$7.8m (A\$10.2m) 30 June cash balance – excluding US\$1.6m Lulo distribution set aside in Angola to fund kimberlite exploration
- US\$2.5m loan repayment repatriated from Angola, further US\$1.5m being finalised
- Up to US\$14.5m (A\$19m) package arranged to fund Mothae acquisition and to advance Phase 1 development
- Dual listing on London's AIM market being pursued following strong interest in Lucapa from the UK

### INTRODUCTION

Lucapa Diamond Company Limited (ASX: **LOM**) (“Lucapa” or “the Company”) is a growing diamond company with a portfolio of high-quality production, development and exploration assets in Angola, Lesotho, Botswana and Australia.

Lucapa’s flagship asset is the Lulo Diamond Project (“Lulo”) – a 3,000km<sup>2</sup> concession in Angola’s Lunda Norte diamond heartland. Lucapa operates Lulo in partnership with Empresa Nacional da Diamantes E.P. (“Endiama”) and Rosas & Petalas.

Lulo, through mining company Sociedade Mineira Do Lulo (“SML”), generates strong cash flows mining large and premium-value alluvial diamonds. Lulo has produced Angola’s two biggest diamonds on record, weighing 404 carats and 227 carats.

Lucapa and its partners are also advancing their search for the primary kimberlite sources of the exceptional alluvial diamonds, with three rigs available for drilling priority kimberlite targets at Lulo.



Premium-quality Lulo diamonds produced during the June Quarter, including Type IIa gems and fancy colours

To complement the high-value production from Lulo, Lucapa successfully bid for, and acquired, a 70% interest in the advanced, high-quality Mothae kimberlite project in Lesotho.

Mothae is similar to Lulo in that it is known to contain large and premium-value diamonds. It is situated in the heart of the highest \$ per carat cluster of kimberlite diamond producing mines in the world, within 5km of Letšeng, the world’s highest \$ per carat kimberlite diamond mine.

Lucapa has also identified drilling targets at its two earlier-stage exploration projects - Orapa Area F in Botswana’s prolific Orapa diamond field and Brooking in the West Kimberley lamproite province in Western Australia.

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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Lucapa has a primary listing on the ASX and was included in the All Ordinaries Index on 20 March 2017. Lucapa has engaged Panmure Gordon & Co as its UK advisers and is advancing plans to dual list on London's AIM market.

### ALLUVIAL DIAMOND MINING

Lulo alluvial diamond mining company, SML (Lucapa 40% owner and operator), produced 4,203 carats of diamonds during the Quarter, an increase of 63% on the previous corresponding period (Table 1).

Lulo continued to regularly produce large and premium-value diamonds during the Quarter, with the number of Special diamonds recovered up 97% to 57. The total weight of Specials produced during the Quarter was up 76% to 1,199 carats. These Specials included two +50 carat diamonds.



60 carat Lulo diamond recovered during the June Quarter

The diamond production increases were generated from a 55% rise in mining volumes to 57,283 bulk cubic metres ("bcm"), leaving SML on track to achieve record and targeted annual production of 240,000 bcm for calendar 2017.

The grade of the diamonds recovered during the Quarter improved 5% to 7.3 carats per 100 cubic metres, while the average size of the diamonds recovered was steady at 1.3 carats.

Mining operations in April and May 2017 were focused primarily on Mining Block 28, with access to the higher-value Mining Blocks 8 and 6 available in June 2017 as ground conditions improved following the end of the Angolan wet season.

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017

	Q2 2015	Q2 2016	H1 2016	Q2 2017	H1 2017	Var Q2 2017 to Q2 2016	Var H1 2017 to H1 2016
Treated m <sup>3</sup> (bulked)	17,264	37,031	74,239	57,283	128,250	55%	73%
Carats Recovered	1,430	2,581	5,668	4,203	8,301	63%	46%
Grade Recovered (cphm <sup>3</sup> )	8.28	7.0	7.6	7.3	6.5	5%	-15%
No of Stones Recovered	1,818	2,051	4,310	3,336	6,880	63%	60%
Avg Stone Size Recovered	0.8	1.3	1.3	1.3	1.2	0%	-8%
Number of Specials Recovered	3	29	53	57	95	97%	79%
Specials Carat Weight	96	683	1,967	1,199	2,328	76%	18%
Diamond Inventory (carats)	855	1,256	1,256	1,716	1,716	37%	37%

Table 1: SML physicals and recoveries for the June Quarter and prior year comparatives



Excavation of alluvial gravels from Lulo Mining Block 8 during the Quarter

### Alluvial Diamond Sales

During the Quarter, SML generated gross revenues of US\$4.8m from three sales of Lulo alluvial diamonds, an increase of 58% on the previous corresponding quarter. This took total gross sales revenues for the first half of 2017 to US\$15.4m (Table 2).

The diamonds, sourced primarily from Mining Block 28, achieved average sale prices of US\$950 per carat for the Quarter and US\$1,620 per carat for the half year to June 2017.

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017

SML finished the Quarter with a cash balance of US\$8.5m (See Corporate section). In addition, SML held a diamond inventory of 1,716 carats at 30 June (Table 1), which will be included in the next diamond sale scheduled for July 2017.

	Q2 15	Q2 16	H1 2016	Q2 17	H1 2017	Var Q2 2017 to Q2 2016	Var H1 2017 to H1 2016
Actual Sales (carats)	2,989	2,670	4,601	5,033	9,531	88%	107%
Actual Sales (US\$)	2,917,510	3,022,250	26,160,899	4,783,952	15,444,807	58%	-41%
Actual Price per Carat (US\$)	976	1,132	5,686	950	1,620	-16%	-71%
Actual Sales (A\$)	3,666,929	4,127,454	36,627,370	6,363,005	20,316,731	54%	-45%
Actual Price per Carat (A\$)	1,227	1,546	7,960	1,264	2,132	-18%	-73%

Table 2: Lulo diamond sales and average prices for the Quarter and comparative periods

### ALLUVIAL EXPLORATION

Mining and exploration activities at Lulo have been focused on the Cacuilu River valley area, which runs for more than 50km through the south west of the Lulo concession (Figure 1).

During the Quarter, the Lulo partners conducted their first exploration along the Lulo River, which is within the awarded 1,500km<sup>2</sup> Mining Licence area. This is with the aim of establishing economic resource areas along the much larger and longer Lulo River to add to the current inferred alluvial JORC resource.

This involved constructing a ~30km road north-east from the Cacuilu River mining operations to the Lulo River to enable the mobile Sedidrig rig to access this area (Figure 1).

The Sedidrig was successful in recovering alluvial gravels. Further drilling is being planned to define sufficient gravels for a bulk sample to test for diamond content, quality and grade.

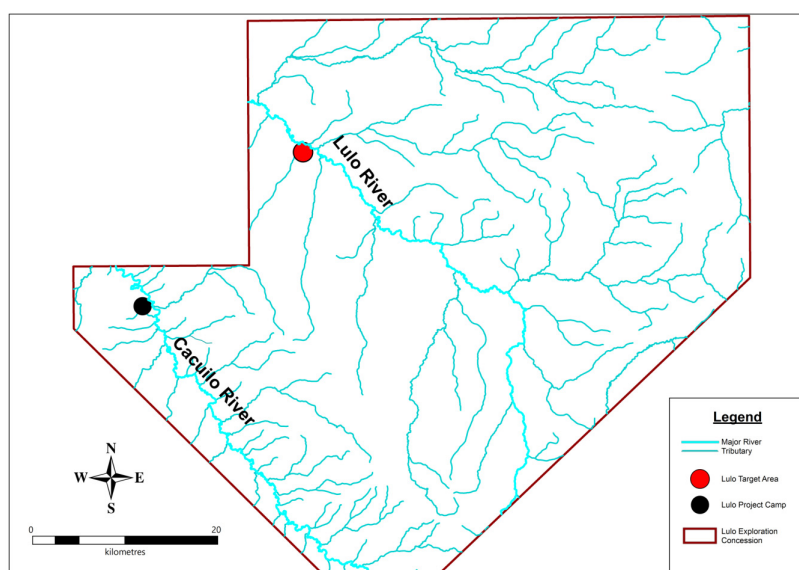


Figure 1: Map of the 3,000km<sup>2</sup> Lulo concession showing the Cacuilu and Lulo River systems and the area where initial exploration work was undertaken along the Lulo River during the Quarter

**KIMBERLITE EXPLORATION**

The Lulo kimberlite exploration program is designed to locate the primary hard-rock source(s) of the exceptional quality and value alluvial diamonds being mined along the Cacuilu River valley area within the 3,000km<sup>2</sup> Lulo concession.

Exploration has historically been focused on magnetic targets identified from previous air-borne aeromagnetic surveys in the alluvial areas where large and premium-value diamonds have been recovered and where there is also supporting geological evidence of proximal kimberlite pipes.

In April 2017, the new Hanjin D&B drilling rig was commissioned at Lulo after being shipped to Angola from Korea. This increased to three the number of rigs available for drilling during the Quarter to further the kimberlite exploration program.

During the Quarter, an 8,566 line km helicopter-borne Time Domain Electromagnetic (TDEM) survey was completed over the Cacuilu River valley area. The analysis and interpretation of this data is in the final stage, with the results imminent.



New Hanjin D&B drilling rig in operation at Lulo during the Quarter



The helicopter-borne TDEM survey over the Caculo River valley block at Lulo

The TDEM survey was designed to guide and update the Lulo kimberlite drilling program by identifying other possible non-magnetic kimberlites (through identifying new anomalies with EM conductive signatures) as well as to provide further definition of known targets identified from the earlier aeromagnetic surveys.

In addition, the TDEM survey data would also be used to locate alluvium channels that could assist in mapping new alluvial diamond deposits along the Caculo River.

As announced to the ASX on 30 May 2017, preliminary analysis of the TDEM data resulted in the discovery of the coarse, near-surface L14 kimberlite, located ~2km upstream of Mining Block 8.

Core from L14 was included in the first batch of kimberlite drill core samples dispatched during the Quarter for laboratory analysis in Cape Town, South Africa. This batch also included coarse kimberlite core samples from L13, L15, L18, L171, L242 and L252.

The laboratory analysis process involves crushing the drill core and extracting kimberlite indicator minerals (including garnet, ilmenite, chrome spinel, chrome diopside and zircon) from heavy liquid concentrates. These indicator minerals are then analysed using an electron microprobe to determine their mineral chemistry.

The mineral chemistry results are used to prioritise kimberlites for follow up work, including further drilling and bulk sampling. The first results from the kimberlite samples currently undergoing laboratory analysis in Cape Town are expected in the September 2017 quarter.

### MOTHAE KIMBERLITE PROJECT, LESOTHO

During the previous quarter, Lucapa acquired a 70% interest in the advanced, high-value Mothae kimberlite project. This followed an international tender process run by the Government of the Kingdom of Lesotho, who has retained a 30% interest.

Mothae is considered complementary to Lulo in that both resources are known to host large and premium-value diamonds, a sector of the diamond industry that has seen pricing remain robust. Mothae is located at the heart of the highest-price cluster of kimberlite mines in the world and within 5km of London-listed Gem Diamonds' Letseng mine, the world's highest \$ per carat kimberlite diamond mine.

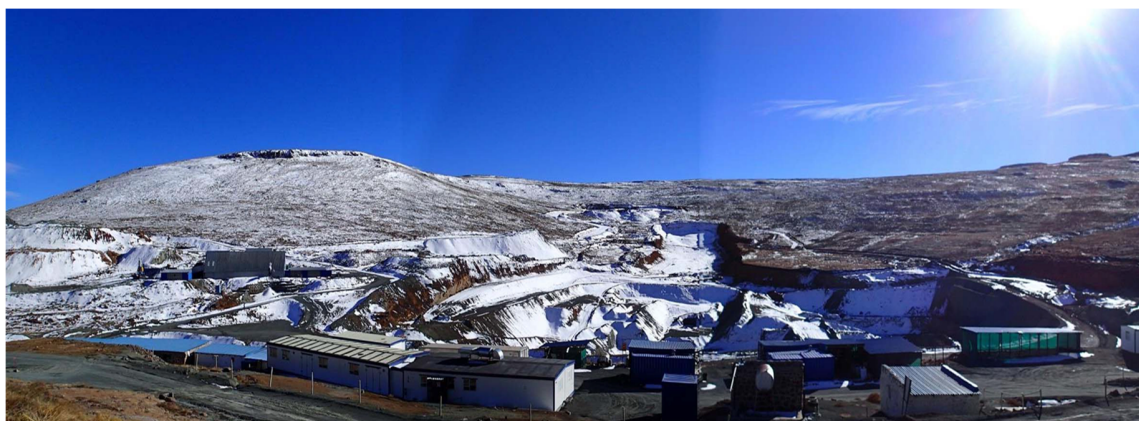
Lucapa notes the recent announcement by Gem Diamonds on July 6 of the recovery of a 126 carat D-colour Type Ila gem from Letseng, which closely followed two +100 carat diamond recoveries in June 2017.

The high-value nature of the Mothae resource is also reflected in the independent JORC resource estimate of more than 1 million carats of diamonds at a modelled average diamond value of US\$1,063 per carat (at a 2mm bottom cut-off size) – this is the second highest average price per carat of any kimberlite resource in the world. While the JORC classified resource has been estimated to a depth of 300m, independent modelling of the Mothae kimberlite pipe extends to 500m (See ASX announcement 24 March 2017<sup>1</sup>).

Under the Phase 1 development plan, Lucapa plans to process ~2 million tonnes of mainly weathered, near-surface kimberlite material at 720,000 tonnes per annum over the first three years. This material is primarily free-dig, which means it will require limited drilling and blasting. Lucapa will commence detailed studies for the Phase 2 development plan for Mothae once Phase 1 is fully commissioned.

Lucapa is able to fast-track mine development at Mothae because the 8.8 hectare kimberlite pipe has already been well defined through drilling and trial mining. The trial mining produced more than 23,000 carats of diamonds, which included individual stones of up to 254 carats and Type Ila gems. These diamonds were sold for ~US\$17m, with individual stones achieving prices of up to US\$41,500 per carat.

In developing Mothae within the next 12 months, Lucapa will also leverage off the significant operating experience its Board and management team have in Lesotho, including at the neighbouring Letseng and Kao mines.



The Mothae kimberlite project, Lesotho

<sup>1</sup> The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mothae resource estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



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During the Quarter, Lucapa undertook multiple work streams to advance its Phase 1 development plan for Mothae. These included:

- Optimising mine planning and plant throughput modelling
- Updating the financial and production modelling to determine optimisation impact on project economics
- Environmental audit and approval applications
- Commenced the tendering process for large contracts and contractors
- Development infrastructure planning, including plant, slimes and fresh water dam locations
- Commencement of earth works and upgrading of accommodation units
- Strengthening the technical management team

### **ORAPA AREA F, BOTSWANA**

Lucapa's Orapa Area F Project is located ~40km east of the prolific Orapa diamond mine in Botswana. Previous exploration work carried out by Lucapa was successful in defining a double-lobed coincident gravity/magnetic feature at the AN01 anomaly, measuring approximately 350m x 150m.

During the Quarter, Lucapa commenced the environmental approval process to drill AN01. A drilling contract is being finalised, with drilling of the AN01 anomaly expected to commence during the current September 2017 quarter.

### **BROOKING DIAMOND PROJECT, WESTERN AUSTRALIA**

Lucapa's Brooking Diamond Project is located within 40km of the Ellendale diamond field in Western Australia's Kimberley district, which was formerly the world's leading producer of rare, fancy yellow diamonds.

Previous exploration work carried out by Lucapa identified a series of well-defined conductors at Brooking potentially associated with lamproite, a host rock for diamonds.

During the Quarter, Lucapa commenced planning for a heritage survey over the areas at Brooking where drilling is planned. This survey is expected to be completed soon, enabling drilling to commence later in the September 2017 quarter.

### **CORPORATE**

#### **Lucapa Cash Balance**

At 30 June 2017, Lucapa held cash reserves of US\$7.8m (A\$10.2m). In addition, Lulo mining company SML (Lucapa 40% owner and operator) held cash of US\$8.5 million at 30 June 2017.

Lucapa's cash balance included US\$2.5m in Lulo loan repayments repatriated from Angola during the Quarter. The repatriation process for the final US\$1.5m portion of the loan repayment due to Lucapa is expected to be completed this quarter.

Lucapa's US\$7.8m cash balance does not include the US\$1.6m distribution paid to the Company in the previous quarter (See ASX announcement 8 March 2017). As previously advised, Lucapa will repatriate its capital loan repayments from Lulo mining company SML but will set aside and leave in Angola its 40% share of the alluvial distributions declared to the SML partners to fund the ongoing Lulo kimberlite exploration program.

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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During the Quarter, Lucapa received US\$0.7m in proceeds from the conversion of 3,523,030 unlisted A\$0.30 options by directors and management. The remaining unlisted A\$0.30 options expired on 24 April 2017 and 28 May 2017.

### **Mothae Funding Package**

On 26 May 2017, Lucapa announced a funding package of up to US\$14.5m (A\$19m) to fund the acquisition of Mothae and to advance the Phase 1 development plan.

This funding (See ASX announcement 26 May 2017) comprised:

- A\$9.2m underwriting agreement with Westar Capital Ltd for the 46.2m listed A\$0.20 options (ASX: LOMOA) due to expire on 30 September 2017;
- A\$5.5m six-month bridging loan facility with First Class Securities Ltd; and
- The issue to Westar of 11.6m unlisted A\$0.35 fee options expiring twelve months from the date of issue (Expected to be around 30 September 2017). If exercised, these fee options will generate additional cash proceeds of up to A\$4.1m for Lucapa.

Under the staged payment timetable for the US\$9m consideration for Mothae, Lucapa originally scheduled to make the second US\$4.1m payment to the Government of Lesotho during the Quarter. However, in agreement with the Government, this payment was deferred until after the country's national general elections, which were held in early June 2017.

With the elections now concluded, the new Government and new Ministers sworn in, the Government of Lesotho and Lucapa are meeting in Lesotho shortly to conclude the payment formalities. Lucapa will pay the Government of Lesotho the US\$4.1m second payment in July 2017 and commence the monthly payments of US\$560,000 over the following eight months to complete the US\$9 million consideration.

### **AIM Listing**

In 2016, Lucapa appointed London firm Panmure Gordon & Co as its UK advisers as part of plans to consider a dual listing on London's AIM market.

Lucapa continues to visit London to present to UK institutional investors and funds to promote Lucapa and outline the Company's development plans for Lulo and the high-value Mothae kimberlite.

The positive feedback from these road shows has prompted Lucapa to commit to plans for a dual listing on London's AIM market. As a result, preparations for the AIM listing are being advanced, with Lucapa shares expected to be trading on the AIM market in the December 2017 quarter.

Lucapa believes that the AIM listing will help the Company achieve its objective of attracting institutional and cornerstone investors to its share register.

### **Brooking Consideration**

During the Quarter, Lucapa issued 250,000 fully paid ordinary shares and 500,000 unlisted A\$0.53 options, expiring 15 May 2019, to Leopold Diamond Company Ltd for an 80% interest in the Brooking Diamond Project tenements, as set out in the ASX announcement of 13 October 2016.

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### Orapa Consideration

During the Quarter, Lucapa issued 165,000 unlisted A\$0.45 options expiring 24 May 2020, subject to vesting conditions, as consideration for the 25% interest in the Orapa Area F Project not already owned by Lucapa.

For and on behalf of the Lucapa Board.

**STEPHEN WETHERALL**  
**MANAGING DIRECTOR**

Schedule of Tenements as at 30 June 2017					
Country	Type	Size (km <sup>2</sup> )	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	5 years	39	*
Angola	Exploration (secondary) Alluvial	1,500	5 years	40	*
Angola	Mining (secondary) Alluvial	1,500	10 years	40	07/2025
Lesotho	Mining License	46.85	10 years	70	01/2027
Botswana	Reconnaissance	16.2	3 years	100	09/2018
Australia	Exploration License	120.99	5 years	100	12/2020
Australia	Exploration License	13.08	5 years	100	03/2019
Australia	Exploration License	29.44	5 years	100	06/2022

*\* These 5-year license extensions were approved by the Angolan Minister of Geology & Mines in November 2016 and require the attaching Mining Investment Contract to be finalised. This is currently underway.*

### **Competent Person's Statement**

Information included in this announcement that relates to exploration results and resource estimates 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 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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