



LUCAPA
DIAMOND COMPANY

Lucapa Diamond Company Limited
Interim Financial Report
for the six months ended 30 June 2017

ASX Code: LOM



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The directors present their report together with the financial report of Lucapa Diamond Company Limited for the six months ended 30 June 2017 and the auditor's review report thereon.

1. Directors

The directors of the Company at any time during or since the end of the interim period are as follows.

Name	Period of directorship
Miles Kennedy, Non-Executive Chairman	Appointed 12 September 2008
Stephen Wetherall, Chief Executive Officer/ Managing Director	Appointed 13 October 2014
Nick Selby, Chief Operating Officer/ Executive Director	Appointed 4 September 2017
Gordon Gilchrist, Non-Executive Director	Appointed 27 March 2012
Albert Thamm, Non-Executive Director	Appointed 9 May 2014

2. Review of operations

OVERVIEW

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 3,000km² 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 in just two and a half years of commencing the alluvial mining operations.

Lucapa and its partners are also advancing their search for the primary kimberlite sources of the exceptional alluvial diamonds, with three rigs drilling priority kimberlite targets identified at Lulo as part of a systematic exploration program.



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

To complement the high-value production from Lulo, Lucapa has 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 average \$ 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.

Lucapa has a primary listing on the ASX and was included in the All Ordinaries Index during the half year to 30 June 2017 ("June half").

Lucapa has engaged Panmure Gordon & Co as its UK advisers and is furthering plans to dual list on London's AIM market.

OPERATIONAL HIGHLIGHTS FOR HALF YEAR TO 30 JUNE

Lulo - Alluvial Mining

- Recovered Angola's 2nd largest recorded diamond – 227 carat, Type IIa, D-colour gem
- 73% increase in alluvial gravels processed to 128,250 bulk cubic metres ("bcm")
- 46% increase in diamond recoveries to 8,301 carats
- 79% increase in Special diamonds recovered to 95
- Two new alluvial mining areas identified hosting large and premium-value diamonds
- Strong cash generation enabling combined US\$8m capital loan repayment and declaration to Lulo partners
- SML cash balance US\$8.5m (post US\$8m payment to Lulo partners) and 1,716 carat diamond inventory

Lulo - Alluvial Exploration

- Updated JORC resource maintains inferred +4 year mine life after US\$55m in diamond sales since maiden resource, with a 54% increase in average modelled diamond value to US\$1,246 per carat
- Further exploration south of Mining Block 8 identifies diamondiferous gravel horizons which have been converted to mining areas
- First exploration along Lulo River to define new diamond resources successfully identifies alluvial gravels

Lulo - Kimberlite Exploration

- Extensive 8,566 line km Time Domain Electro Magnetic ("TDEM") survey flown over the Cacuilu Valley area to upgrade kimberlite exploration targets and assist drilling program
- Kimberlite drilling program accelerated with arrival on site from Korea of third high-capability Hanjin rig
- First batch of kimberlite drill core from current drilling campaign dispatched to Cape Town for mineral chemistry analysis

Mothae Kimberlite Project

- 70% interest acquired in the advanced high-value Mothae kimberlite project in Lesotho
- New 10-year mining licence issued
- Independent JORC diamond resource estimated of +1m carats at modelled diamond value of US\$1,063 per carat
- Development and optimisation studies advanced for Phase 1 development

Lucapa - Corporate

- Received first repayment of US\$2.5m from SML against the funding advanced over last eight years
- Lucapa 30 June cash balance US\$7.8m
- Funding package of up to US\$14.5m for Mothae acquisition and to advance Phase 1 development

ALLUVIAL DIAMOND MINING

Lulo alluvial diamond mining company, SML (Lucapa 40% owner and operator), produced 8,301 carats of diamonds during the June half, an increase of 46% on the previous corresponding period (Table 1).



227 carats



92 carats

Lulo continued to regularly produce large and premium-value diamonds, with the number of Special diamonds (diamonds weighing >10.8 carats) recovered in the June half up 79% to 95.

These Specials included a 227 carat, Type IIa, D-colour gem, Angola's second biggest recorded diamond behind the 404 carat gem also recovered at Lulo in the previous corresponding half.

The 227 carat diamond was recovered from the new XRT large diamond recovery circuit installed at the 150 tonne per hour Lulo plant.

Other large Specials recovered during the June half included a 92 carat diamond and four other +50 carat stones.

The diamond production increases were generated from a 73% rise in mining volumes to 128,250 bcm, leaving SML on track to achieve record and targeted annual production of 240,000 bcm for calendar 2017.

Efforts by the Lulo partners during the June half to define new alluvial areas accessible during the Angolan wet season were successful, with two new mining blocks – 28 and 25 – confirmed as additional sources of large and premium-value diamonds.

Mining Block 28 produced the 227, 92 and two other +50 carat diamonds, while Mining Block 25 produced a 62 carat, Type IIa, D-colour gem. The fourth +50 carat diamond recovered during the period was recovered from Mining Block 6.

The grade of the gravels from Mining Block 28 contributed to the 15% reduction in overall grade of diamonds recovered during the June half to 6.5 carats per 100 cubic metres. Mining returned to the higher-value Mining Blocks 8 and 6 in June 2017 as ground conditions improved following the end of the Angolan wet season.

	H1 2016	H1 2017	Var H1 2017 to H1 2016
Treated m ³ (bulked)	74,239	128,250	73%
Carats Recovered	5,668	8,301	46%
Grade Recovered (cphm ³)	7.6	6.5	-15%
No of Stones Recovered	4,310	6,880	60%
Avg Stone Size Recovered	1.3	1.2	-8%
Number of Specials Recovered	53	95	79%
Specials Carat Weight	1,967	2,328	18%
Diamond Inventory (carats)	1,256	1,716	37%

Table 1: SML physicals and recoveries for the June half and comparative period



Excavation of alluvial gravels from Lulo Mining Block 8

ALLUVIAL DIAMOND SALES

SML generated gross revenues of US\$15.4m in the June half from the sale of 9,531 carats of alluvial diamonds at an average price per carat of US\$1,620 (Table 2).

Sales and average prices were lower than the previous corresponding half (by 41% and 71% respectively), as the previous corresponding half included the recovery of the 404 carat gem that was sold for US\$16m.

SML's strong cash balance enabled a combined US\$8m capital loan repayment and distribution to be declared to the Lulo partners. Lucapa's gross entitlement totalled US\$5.6m (70%), comprising a US\$4m capital loan repayment and a US\$1.6m pro-rata distribution.

Lucapa's strategy is to repatriate capital loan repayments from SML and utilise the Company's share of distributions to fund the ongoing and ramped up Lulo kimberlite exploration program.

Post the US\$8m capital loan repayment and distribution, SML held a cash balance of US\$8.5m at 30 June 2017 and a diamond inventory of 1,716 carats (Table 1).

	H1 2016	H1 2017	Var H1 2017 to H1 2016
Actual Sales (carats)	4,601	9,531	107%
Actual Sales (US\$)	26,160,899	15,444,807	-41%
Actual Price per Carat (US\$)	5,686	1,620	-71%
Actual Sales (A\$)	36,627,370	20,316,731	-45%
Actual Price per Carat (A\$)	7,960	2,132	-73%

Table 2: Lulo diamond sales and average prices for the June half and comparative period

ALLUVIAL RESOURCE UPDATE

During the June half, Lucapa and its partners updated the JORC classified Inferred Diamond Resource for Lulo. The Diamond Resource was independently estimated on a depletion and addition basis by Z Star Mineral Resources Consultants in South Africa, updating the maiden Lulo Diamond Resource dated 31 October 2015.

The updated alluvial Diamond Resource (Table 3) was estimated after:

- 15 months of mining depletion to 31 January 2017, where ~220,000 bcm was mined
- Continued exploration, sampling, trial mining and mining of new alluvial blocks; and
- Actual diamond sales at prices significantly higher than the maiden Diamond Resource estimate

Notwithstanding the depletion above, the updated Diamond Resource:

- Increased 10% in volume from the maiden Diamond Resource to 606,600 m³
- Included a 54% increase in the average modelled diamond value from US\$806 to +US\$1,200 per carat

The updated Diamond Resource volume (with an average mining dilution of 20cm and an average swell factor of 1.1) continues to infer more than four years of alluvial diamond mining operations at Lulo at the rate of ~20,000 bcm per month.

The Lulo partners will continue to conduct alluvial exploration activities in parallel with alluvial mining and kimberlite exploration operations with a view to maintaining a rolling four year inferred mine life in the alluvial Diamond Resource.

Classified, Depleted & Reconciled Lulo Alluvial Diamond Resource as at 31 January 2017								
Inferred	Area (m²)	Insitu volume (m³)	Grade (stns/ m³)	Cts/ stn	Stones	Carats	Insitu grade (cphm³)	Modelled value (US\$)
Total	1,167,300	606,600	0.07	1.07	45,200	48,200	7.95	\$1,246
Classified, Depleted & Reconciled Lulo Alluvial Diamond Resource as at 31 October 2015								
Inferred	Area (m²)	Insitu volume (m³)	Grade (stns/m³)	Cts/stn	Stones	Carats	Insitu grade (cphm³)	Modelled value (US\$)
Total	1,187,275	550,200	0.09	1.02	52,100	51,000	9.27	\$806
Notes: cphm ³ : carats per 100 cubic metres; Stns/ m ³ : stones per cubic metre								
Special stones are not excluded in the modelling stage, in terms of size or assortment								
Average realised sales may be significantly higher in value than the modelled values shown above								
Bottom screen size: effective -1.5mm								

Table 3: Inferred and depleted Lulo alluvial Diamond Resource as at 31 January 2017

ALLUVIAL EXPLORATION

The alluvial diamond mining and kimberlite exploration operations at Lulo have focused on the Cacuilu River valley area, which runs for more than 50km through the south west of the 1,500km² alluvial mining licence area.

During the June half, the Lulo partners commenced the first exploration work at the Lulo River area (Figure 1). This exploration was conducted with the aim of establishing new economic resource areas along the much larger and longer Lulo River to add to the current inferred alluvial JORC resource on the Cacuilu River.

This exploration program 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.

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

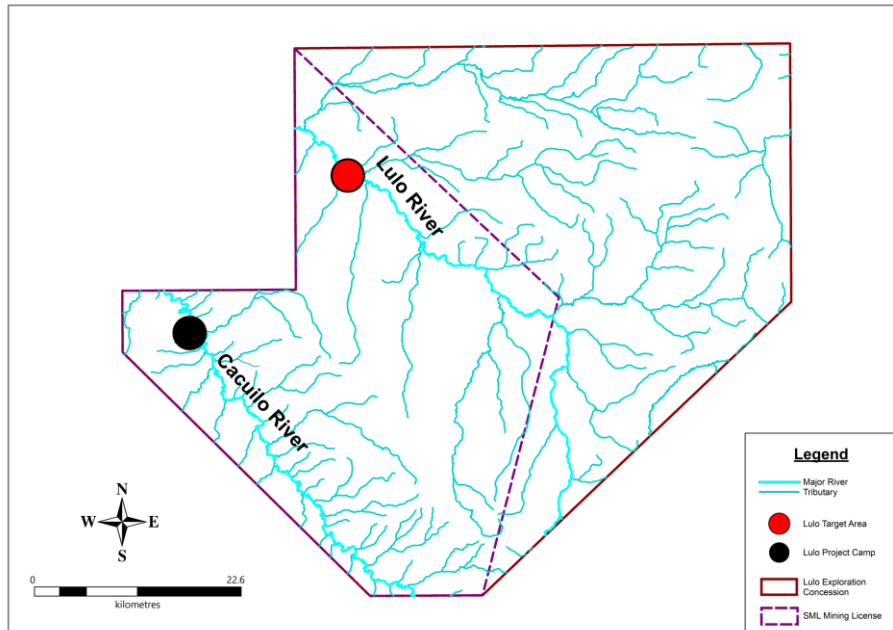


Figure 1: Map of the 3,000km² Lulo concession showing the alluvial mining licence area, the Cacuiilo and Lulo River systems and the area where initial exploration work was undertaken along the Lulo River

KIMBERLITE EXPLORATION

The Lulo kimberlite exploration program aims to locate the primary hard-rock sources of the exceptional alluvial diamonds being mined along the Cacuiilo River valley area at Lulo.

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.

During the June half, 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 in the kimberlite exploration program.

An 8,566 line km helicopter-borne TDEM survey was flown over the Cacuiilo River valley area during the June half.



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

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

In addition, the TDEM survey would also identify alluvium channels that would assist the alluvial exploration program in mapping new alluvial diamond deposits along the Cacuilu River.

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 June half 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 define their mineral chemistry.

The mineral chemistry results will be used to prioritise kimberlites for follow up work, including further drilling and bulk sampling.

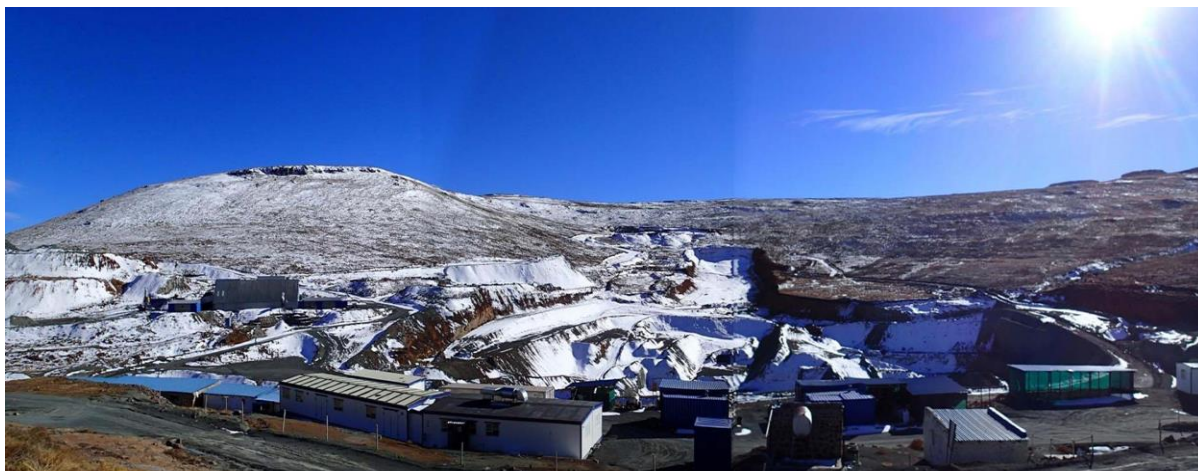
The results of the TDEM survey were announced to the ASX subsequent to the June half on 24 July 2017.



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

MOTHAË KIMBERLITE PROJECT, LESOTHO

During the June half, Lucapa acquired a 70% interest in Mothae Diamonds (Pty) Ltd (“MDL”), owner of the advanced, high-value Mothae kimberlite project in the Lesotho, southern Africa (“Mothae”). This followed an international tender process run by the Government of the Kingdom of Lesotho (“GoL”), which has retained a 30% interest.



The Mothae kimberlite project, Lesotho

Mothae is located at the heart of the cluster of kimberlite mines that have the highest average price in the world and within 5km of London-listed Gem Diamonds' Letšeng mine, the world's highest \$ per carat kimberlite diamond mine.

The Mothae kimberlite pipe is a well-defined 8.8 hectare pipe, and includes existing infrastructure with an historic cost of ~US\$35m.

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 is rare and, as such, has seen pricing remain robust.

Previous sampling and trial mining at Mothae produced more than 23,000 carats of diamonds, which sold for approximately US\$17m. These diamonds included Specials of up to 254 carats (which was recovered broken) and Type IIa gems which achieved sale prices of up to US\$41,500 per carat.



Mothae diamonds recovering from trial mining (clockwise from top left) weighing 29 carats, 56 carats, 14 carats and 82 carats

During the June half, Lucapa engaged independent South African consultants, MSA Group ("MSA"), to update and convert the existing Canadian-standard NI43-101 Mothae Resource Estimate, dated 28 February 2013, into a JORC 2012 code compliant estimate. MSA completed its independent validation of the Mothae Diamond Resource and this was announced during the June half (Table 4).

In summary, MSA estimated the total Indicated and Inferred Mothae Diamond Resource to be 38.96 million tonnes at a diamond grade of 2.7 carats per 100 tonnes, containing 1.04 million carats of diamonds at an average modelled price of US\$1,063 per carat (to 300m below surface, at a 2mm bottom screen – Refer Table 4)¹. Significantly, this represents the second highest declared kimberlite resource price in the diamond space.

In its report, MSA also highlighted the potential upside to its diamond revenue model, stating: "There is upside potential for the average diamond value based on the model value of large stones."

While the JORC resource was calculated to a depth of 300m, MSA modelled the Mothae kimberlite to a total depth of 500m below surface, corresponding to a total estimated 77.4 million tonnes of kimberlite. In addition, the JORC resource did not include any material from the neck, or dyke, connecting the two (southern and northern) lobes in the Mothae kimberlite pipe. This was due to no sampling being conducted in the neck zone.

Mothae Kimberlite Classified Diamond Resource as at 21 March 2017					
To 300m below surface; 2mm bottom screen size					
Resource Classification	Tonnes (Mt)	Grade (cpht)	Average Revenue Modelled (US\$/ carat)	Average Value Per Tonne (US\$/ tonne)	Total Resource (Million carats)
Indicated (to 50m)	2.39	3.0	1,196	34	0.07
Inferred (50m-300m)	36.57	2.7	1,053	28	0.97
TOTAL	38.96	2.7	1,063	28	1.04
Notes:					
(i) Table contains rounded figures					
(ii) Grade figures are based on recovery factors derived from total content curves for each geological domain, and actual plant recoveries achieved					
(iii) The Diamond Resource estimate was originally reported in accordance with Canadian NI43-101 standards in February 2013 and has been re-stated in accordance with JORC 2012 guidelines					
(iv) The estimate is global in nature					
(v) Unclassified kimberlite exists from 300m to 500m below surface					

Table 4: Inferred and Indicated depleted Mothae kimberlite resource as at 21 March 2017

¹ 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.

Other advancements with the MDL transaction during the June half included:

- The issuance to MDL of a new 10-year mining licence for Mothae by the GoL
- The registration of Lucapa as a 70% shareholder in MDL and the issuance of new share certificates
- The appointment of Lucapa representatives to the MDL Board
- The payment to GoL of the first consideration instalment of US\$400,000

The advanced nature of Mothae has enabled Lucapa to pursue a phased, low-risk development plan to deliver production and cash flows from Mothae within a 12 month period.

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

In developing Mothae, Lucapa will also leverage off the significant operating experience its Board and management team have in Lesotho, including significant experience of the team at the neighbouring Letšeng and Kao mines.

Phase 1 work streams undertaken by Lucapa at Mothae during the June half included:

- Updating the Diamond Resource to JORC 2012 code compliant estimate
- Optimising the mine planning and plant throughput modelling
- Updating the financial and production modelling to determine optimisation impact on project economics
- Environmental audit and approval applications
- Commencement of pit dewatering
- Commencement of tendering processes 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 100% owned 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 June half, Lucapa commenced the environmental approval process for a drilling program at Orapa Area F, which is scheduled for the second half of 2017.

BROOKING DIAMOND PROJECT, WESTERN AUSTRALIA

Lucapa's 80% owned 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 at Brooking and by Lucapa identified a series of well-defined conductors potentially associated with lamproite, a host rock for diamonds.

During the June half, Lucapa commenced planning for a heritage survey over the areas at Brooking where drilling is planned for the second half of 2017.

CORPORATE

At 30 June 2017, Lucapa held cash reserves of US\$7.8m. This included the first repayment of its funding advanced into SML, but excluded the US\$1.6m SML distribution paid by SML during the June half to the Lulo partners, which Lucapa has left in Angola to fund the ongoing and ramped up Lulo kimberlite exploration program.

SML (Lucapa 40% owner and operator) held cash of US\$8.5m.

During the June half, Lucapa was admitted to the ASX All Ordinaries Index.

As per its ASX announcements, Lucapa appointed London firm Panmure Gordon & Co as its UK advisers as part of plans to further a dual listing on London's AIM market. Preparations for the AIM listing were advanced during the June half. Lucapa believes that the AIM listing will help the Company achieve its objective of attracting institutional and cornerstone investors to its share register.

During the June half, Lucapa announced a package to fund the US\$9m acquisition of Mothae and to advance the Phase 1 development plan. This funding comprised:

- A\$9.2m underwriting agreement with Westar Capital Limited 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 Proprietary Limited; and
- The issue of 11.6m unlisted A\$0.35 fee options expiring 12 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.

3. Financial position

For the six months ended 30 June 2017, the Group recorded a profit from its 40% holding in SML associate of US\$3.9m. After accounting for the non-cash fair value adjustment to the SML loan receivable of US\$2.6m and Lucapa corporate office expenses, the Group reported a loss after tax of US\$1.1m for the half year.

Lucapa had cash on hand of US\$7.8m at the corporate office as at 30 June 2017. Other cash held in the group included:

- US\$8.5m at SML available for its mining operations and alluvial exploration and evaluation activities; and
- US\$1.5m at Project Lulo (kimberlite JV) available for its kimberlite exploration and evaluation activities.

The Board of Directors have considered the financial position and prospects of the Group as set out below in note 2. b) to the financial statements and are satisfied that the going concern basis of preparation of the financial statements is appropriate.

4. Auditor's independence declaration

The directors received the following report from the Company's auditors, Greenwich & Co:



Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited

As auditor for the review of Lucapa Diamond Company Limited for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd

Nicholas Hollens
Managing Director

Perth

12 September 2017

This report is made with a resolution of the directors:

Miles Kennedy
Non-Executive Chairman

Dated at Subiaco this 12 day of September 2017

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2017

	Note	30 Jun 2017 USD	30 Jun 2016 USD
Distribution from Lulo Joint Venture		-	5,907,172
Share of profit of associate	8	3,863,287	89,321
Fair value adjustment on SML receivable	6	(2,634,187)	271,234
Finance income		20,837	30,149
Consulting expenses		(303,548)	(90,427)
Depreciation expense		(87,927)	(938)
Employee benefits expenses		(957,527)	(1,593,643)
Director and employee options		(611,502)	(453,128)
Finance expense		(96,978)	-
Foreign exchange gain/ (loss)		127,131	(382,465)
Other expenses		(469,136)	(523,432)
(Loss)/ profit before income tax		(1,149,550)	3,253,843
Income tax expense		-	-
(Loss)/ profit after income tax for the period		(1,149,550)	3,253,843
Other comprehensive loss		(96,655)	-
Total comprehensive (loss)/ income attributable to members of the Company		(1,246,205)	3,253,843
Earnings/ (loss) per share			
Basic (loss)/ earnings per share (cents)	5	(0.35)	1.20
Diluted (loss)/ earnings per share (cents)	5	(0.33)	1.07

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Financial Position
as at 30 June 2017

	Note	30 Jun 2017 USD	31 Dec 2016 USD
Assets			
Cash and cash equivalents		7,830,362	4,349,142
Trade and other receivables		148,146	83,242
Inventory		2,597	-
Financial assets	6	195,972	236,975
Total current assets		8,177,077	4,669,359
Property, plant and equipment	7	26,338,770	11,515,575
Non-current financial assets	6	28,295,933	33,285,531
Investment in associate	8	6,313,672	4,050,385
Total non-current assets		60,948,375	48,851,491
Total assets		69,125,452	53,520,850
Liabilities			
Trade and other payables	9	9,316,319	184,723
Borrowings	11	4,139,207	407,233
Total current liabilities		13,455,526	591,956
Non-current provisions	10	2,534,044	-
Total non-current liabilities		2,534,044	-
Total liabilities		15,989,570	591,956
Net assets		53,135,882	52,928,894
Equity			
Share capital	12	89,911,919	89,114,329
Reserves		(1,636,375)	(1,923,581)
Accumulated losses		(35,139,662)	(34,261,854)
Total equity		53,135,882	52,928,894

The consolidated interim statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Changes in Equity
for the six months ended 30 June 2017

	Issued capital USD	Options reserves USD	Foreign currency translation USD	Accumulated losses USD	Total USD
Balance at 1 January 2016	74,882,174	2,968,459	(5,863,846)	(37,115,972)	34,870,815
Comprehensive income for the year					
Profit for the period	-	-	-	3,253,843	3,253,843
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,253,843	3,253,843
Transactions with owners, recorded directly in equity					
Issue of share capital	14,492,901	-	-	-	14,492,901
Issue of options	-	486,687	-	-	486,687
Expiry of options	-	(2,107)	-	2,107	-
Transfer of reserves on exercise of options	47,870	(323,129)	331,456	88,091	144,288
Share issue expenses	(308,616)	-	-	-	(308,616)
Total transactions with owners	14,232,155	161,451	331,456	90,198	14,815,260
Balance at 30 June 2016	89,114,329	3,129,910	(5,532,390)	(33,771,931)	52,939,918
Balance at 1 January 2017	89,114,329	3,613,674	(5,537,255)	(34,261,854)	52,928,894
Comprehensive income for the period					
Loss for the period	-	-	-	(1,149,550)	(1,149,550)
Other comprehensive income	-	-	(96,655)	-	(96,655)
Total comprehensive income for the period	-	-	(96,655)	(1,149,550)	(1,246,205)
Transactions with owners, recorded directly in equity					
Issue of share capital	879,667	-	-	-	879,667
Issue of options	(44,101)	655,603	-	-	611,502
Expiry of options	-	(271,742)	-	271,742	-
Transfer of reserves on exercise of options	-	-	-	-	-
Share issue expenses	(37,976)	-	-	-	(37,976)
Total transactions with owners	797,590	383,861	-	271,742	1,453,193
Balance at 31 December 2017	89,911,919	3,997,535	(5,633,910)	(35,139,662)	53,135,882

The consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Cash Flows
for the six months ended 30 June 2017

	30 Jun 2017 USD	30 Jun 2016 USD
Cash flows from operating activities		
Proceeds of distribution from Lulo Joint Venture	-	6,563,532
Cash paid to suppliers and employees	(1,996,038)	(3,747,619)
Interest and finance cost	(8,062)	-
Interest received	20,837	28,267
Withholding tax paid	-	(656,360)
Net cash (used in)/generated operating activities	(1,983,263)	2,187,820
Cash flows from investing activities		
Payments for exploration costs	(840,295)	(217,067)
Payments for development	(206,163)	(5,655,880)
Proceeds from/ (payments to) associate	2,355,411	(499,832)
Payments for property, plant and equipment	(664,723)	(1,141)
Net cash generated/ (used in) investing activities	644,230	(6,373,920)
Cash flows from financing activities		
Proceeds from issue of share capital	827,270	14,387,305
Share issue costs	(82,077)	(275,055)
Repayment of borrowings	(408,227)	-
Proceeds from borrowings	4,089,860	-
Net cash generated from financing activities	4,426,826	14,112,250
Net increase in cash and cash equivalents	3,087,793	9,926,150
Cash and cash equivalents at beginning of period	4,349,142	622,208
Exchange gain on foreign cash balances	393,427	138,806
Cash and cash equivalents at end of period	7,830,362	10,687,164

The consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes.

1. Corporate information

Lucapa Diamond Company Limited (“Lucapa” or “the Company”) is a company domiciled and incorporated in Australia. The address of the Company’s registered office is 34 Bagot Road, Subiaco WA 6008. The Company and its subsidiaries (collectively “the Group”) are primarily involved in the mining and exploration of diamond projects in Africa and Australia.

2. Basis of preparation

a) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 31 December 2016.

This interim financial report was approved by the Board of Directors on 12 September 2017.

b) Basis of measurement

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst the Group has achieved diamond exploration, alluvial development and mining success at the Lulo Diamond Project and anticipates cashflows to be received from Mothae following its development, the directors recognise that the Group may have to seek funding in the future in order to continue to exploit and develop the Lulo Diamond Project and the Mothae Kimberlite Project.

For the six months ended 30 June 2017, the Group recorded a profit from its 40% holding in SML associate of US\$3.9m. After accounting for the non-cash fair value adjustment to the SML loan receivable of US\$2.6m and Lucapa corporate office expenses, the Group reported a loss after tax of US\$1.1m for the half year (Jun 2016: profit of US\$3.3m). As at 30 June 2017 the Group had net assets of US\$53.1m (Dec 2016: US\$52.9m).

During the current period, the Company received funding from multiples sources. These include:

- US\$2.5m from SML (out of a total US\$4 million declared during the period) as partial repayment of Lucapa’s historical alluvial investment expenditure at Project Lulo;
- US\$0.8m from the conversion of director and employee options; and
- US\$4m from a short-term bridging loan provided by First Class Securities Pty Limited as part of a broader funding package (announced to the ASX on 26 May 2017) to acquire 70% of the Mothae kimberlite project. This package also included a A\$9.2m underwriting agreement with Westar Capital Limited for the listed LOMOA options expiring 30 September 2017.

Future funding sources include anticipated further loan repayments and distributions due from SML and ongoing debt financing discussions for the Mothae development (as well as funding from the underwritten option conversions referred to above). Lucapa is also advancing plans to list on the AIM market in the United Kingdom.

The ability of the Group to continue to pay its debts as and when they fall due for a 12-month period from the date the financial report is signed is dependent upon:

- continued success of the alluvial mine to generate cash and successful exploration;
- conversion of the LOMOA options at 30 September 2017; and
- continued cash management.

In addition, Lucapa has the capacity to place securities under ASX Listing Rule 7.1.

The Directors believe that the above funding strategies can be achieved and the going concern basis is appropriate for the following reasons:

- The Group operates on a program of income and expenditure designed to ensure that there are at all times sufficient funds on hand to continue operations for the foreseeable future, whilst at the same time continuing the alluvial mining and other diamond development or exploration projects in an effective manner; and
- The successful historical ability of the Group to raise capital via equity placements and capital raisings given the prospectivity of the Lulo Diamond Project and expected future cash flows from the recent acquisition of the Mothae Kimberlite Project.

However, should the Group be unable to obtain sufficient funding as advised above, there is a material uncertainty which may cast doubt as to whether or not the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

3. Significant accounting policies

The financial statements have been prepared using consistent accounting policies to those used for the year ended 31 December 2016 except as set out below.

New or revised accounting standards

The Company adopted all or new revised accounting standards that became effective for reporting periods commencing on 1 January 2017. Adoption of these standards has not resulted in any material changes to the Company's accounting policies. Other standards that have been issued but are not yet effective are considered to have no significant effect on the financial statements.

4. Segment reporting

The Group engages in business activities within one business segment currently, being the exploration, development and mining of diamond projects in Africa and Australia. The Group maintains a corporate and administrative office in Western Australia to support and promote the exploration and mining activities.

Assets, liabilities and profit/ (loss) of the business are split as follows:

	Africa - Exploration & Evaluation, Development and Mining		Australia - Exploration & Evaluation and Head Office		Total	
	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD
Assets						
Cash and cash equivalents	20,091	-	7,810,271	4,349,142	7,830,362	4,349,142
Trade and other receivables	79,466	-	68,680	83,242	148,146	83,242
Inventory	2,597	-	-	-	2,597	-
Financial assets	195,972	204,570	-	32,405	195,972	236,975
Total current assets	298,126	204,570	7,878,951	4,464,789	8,177,077	4,669,359
Property, plant and equipment	26,056,875	11,488,158	281,895	27,417	26,338,770	11,515,575
Non-current financial assets	28,295,933	33,285,531	-	-	28,295,933	33,285,531
Investment in associate	6,313,672	4,050,385	-	-	6,313,672	4,050,385
Total non-current assets	60,666,480	48,824,074	281,895	27,417	60,948,375	48,851,491
Total assets	60,964,606	49,028,644	8,160,846	4,492,206	69,125,452	53,520,850
Liabilities						
Trade and other payables	8,991,749	-	324,570	184,723	9,316,319	184,723
Borrowings	-	407,233	4,139,207	-	4,139,207	407,233
Total current liabilities	8,991,749	407,233	4,463,777	184,723	13,455,526	591,956
Non-current provisions	2,534,044	-	-	-	2,534,044	-
Total non-current liabilities	2,534,044	-	-	-	2,534,044	-
Total liabilities	11,525,793	407,233	4,463,777	184,723	15,989,570	591,956
Profit or loss	30 Jun 2017 USD	30 Jun 2016 USD	30 Jun 2017 USD	30 Jun 2016 USD	30 Jun 2017 USD	30 Jun 2016 USD
(Loss)/ profit before income tax	1,159,590	6,267,727	(2,309,140)	(3,013,884)	(1,149,550)	3,253,843

5. Earnings/ (loss) per share

	30 Jun 2017	30 Jun 2016
	Cents	Cents
Basic (loss)/ earnings per share (cents per share)	(0.35)	1.20
Diluted (loss)/ earnings per share (cents per share)	(0.33)	1.07
	USD	USD
(Loss)/ earnings used in calculating earnings per share		
(Loss)/ profit attributable to members of the Company used in calculating basic earnings per share	(1,149,550)	3,253,843
(Loss)/ profit attributable to members of the Company used in calculating diluted earnings per share	(1,149,550)	3,253,843
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	325,705,032	271,959,811
Weighted average number of ordinary shares outstanding during the period used in calculation of diluted earnings per share	350,134,337	303,470,878

6. Financial assets

	Six months to 30 Jun 2017	Year to 31 Dec 2016
	USD	USD
Current financial assets		
Short term receivables	195,972	236,975
Total	195,972	236,975
Non current financial assets		
Receivable in respect of the alluvial project		
At 1 January	33,285,531	-
Transfer from Alluvial development	-	30,586,883
Investment during the period	168,337	4,240,544
Refund received	(2,523,748)	-
Fair value gain on foreign exchange	-	4,607,322
	30,930,120	39,434,749
Fair value adjustment due to discounting	(2,634,187)	(6,149,218)
At end of period	28,295,933	33,285,531

The receivable in respect of the alluvial operations was transferred from Alluvial development during 2016 (refer note 7) and represents the future reimbursement in US dollars of the Company's historic alluvial exploration and development costs incurred at Lulo. The receivable has been re-measured to its estimated fair value using the *Income approach*, which is a valuation technique that converts future cash flow into a single discounted present value, and is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs.

Significant unobservable inputs are the timing and amounts of future repayments which are based on the expected cash flows per the Company's forecast model for SML. Sensitivity factors which could impact the valuation include future operational performance being as planned and any delays in the timing of repayments which will decrease the fair value estimate. A discount rate of 10.87% has been applied in the fair value calculation.

7. Property plant and equipment

	Deferred exploration and evaluation costs USD	Mine development USD	Computer Equipment USD	Office Equipment USD	Total USD
Cost					
Balance at 1 January 2016	8,279,406	28,483,587	5,078	12,811	36,780,882
Additions	1,387,659	4,091,138	18,104	4,530	5,501,431
Transfer to Financial Assets	-	(30,586,883)	-	-	(30,586,883)
Balance at 31 December 2016	9,667,065	1,987,842	23,182	17,341	11,695,430
Additions	2,533,641	12,376,935	-	-	14,910,576
Balance at 30 June 2017	12,200,706	14,364,777	23,182	17,341	26,606,006
Accumulated depreciation					
Balance at 1 January 2016	-	-	2,562	7,838	10,400
Amortisation/ depreciation charge for the year	-	166,749	1,666	1,040	169,455
Balance at 31 December 2016	-	166,749	4,228	8,878	179,855
Amortisation/ depreciation charge for the year	-	84,088	2,488	805	87,381
Balance at 30 June 2017	-	250,837	6,716	9,683	267,236
Net carrying amounts					
At 31 December 2016	9,667,065	1,821,093	18,954	8,463	11,515,575
At 30 June 2017	12,200,706	14,113,940	16,466	7,658	26,338,770

Deferred exploration costs represent the cumulative expenditure incurred by the Company in relation to the Lulo, Botswana and Australian projects on diamond exploration and evaluation including plant and equipment. The Company continues to explore for the primary kimberlite source or sources of the alluvial diamonds being recovered on the Lulo concession, explore for kimberlite in Botswana and for lamproite in Australia. Current period additions include US\$1.6m relating to the dividend declaration by SML which was retained in Angola by the group for purposes of kimberlite exploration.

During previous financial years, the Group established an alluvial diamond mining operation on the Lulo concession, under a mining license granted by the Angolan Ministry of Geology and Mines and under the permission of Endiama, the national diamond mining company of Angola. Previous expenditure for this project had been capitalised as deferred exploration and evaluation and was transferred to Mine Development cost during the development phase. In accordance with the Mining Investment Contract, the JV partners agreed that in the event of a commercial diamond mining operation being established on the Lulo diamond project, all alluvial and kimberlite exploration and development funds and assets that the Group has contributed to the project should be reimbursed from each of the respective mining operations when commercialised. As such and following the incorporation during May 2016 of SML, the alluvial mining company for the Lulo project, the net cumulative balance of the Alluvial Development cost was transferred to Financial Assets as a receivable (note 6).

During the current period the Group acquired 70% of Mothae Diamonds (Proprietary) Limited in Lesotho (refer p7). The acquisition and development cost of the Mothae Kimberlite Project are recognised under Mine Development.

8. Investment in associate

	30 Jun 2017 USD	31 Dec 2016 USD
Summarised financial information of SML		
Current assets	15,843,493	20,565,909
Non-current assets	30,652,017	32,231,269
Current liabilities	(6,217,635)	(8,865,492)
Non-current liabilities	(30,122,720)	(39,434,749)
Equity	10,155,155	4,496,937
Group's carrying amount of the investment	6,313,672	4,050,385
	30 Jun 2017	30 Jun 2016
Group's share of profit for the period	3,863,287	89,321

9. Trade and other payables

	30 Jun 2017 USD	31 Dec 2016 USD
Trade payables	471,637	59,819
Mothae purchase consideration due	8,600,000	-
Accruals and other payables	244,682	124,904
Total	9,316,319	184,723

10. Provisions

	30 Jun 2017 USD	31 Dec 2016 USD
Provision for environmental rehabilitation	2,534,044	-
Total	2,534,044	-

This provision represents the estimated environmental rehabilitation liability of Mothae and is measured at the present value of management's best estimate of the costs required to settle the obligation at the end of the reporting period. Actual costs incurred in future periods to settle the obligations could differ materially from these estimates.

11. Borrowings

	30 Jun 2017 USD	31 Dec 2016 USD
Finance lease liability for earthmoving fleet	-	407,233
Short-term loan	4,139,207	-
Total	4,139,207	407,233

The prior period amount reflects the remaining liability in respect of new Caterpillar earthmoving equipment acquired during 2016. The liability was settled during 2017 and carried interest at an annual rate of 9%.

The short-term loan consists of a six-month secured bridging loan with First Class Securities Pty Ltd as part of the funding package (announced to the ASX on 26 May 2017) to acquire 70% of Mothae. Interest is payable at a fixed amount of 9% of the loan. The short-term loan is secured by way of a General Security Deed granted by Lucapa in favour of the lender over collateral consisting of all of the Company's present and after acquired property, undertaking and rights.

12. Share capital

	30 Jun 2017 Number	30 Jun 2017 USD
Listed securities		
Movement in ordinary shares		
On issue at beginning of period	324,972,139	89,114,329
Issue of shares	250,000	-
Issue of shares on exercise of options and performance rights	5,041,780	879,667
Transaction costs	-	(82,077)
On issue at end of period	330,263,919	89,911,919
Movement in listed options		
ASX code: LOMOA		
Expiry date: 30 September 2017		
Exercise price: A\$0.20		
On issue at beginning of period	46,460,607	-
Issue of options	-	-
Exercise of options	(200,000)	-
Expiry of options	-	-
On issue at end of period	46,260,607	-

12. Share capital (continued)

Share options and Performance rights

Exercise price (A\$)	Share options						Performance rights		Weighted average price (A\$)
	\$0.30	\$0.30	\$0.53	\$0.53	\$0.45	\$0.46	\$0.00	\$0.00	
Expiry date	24 April 2017	28 May 2017	2 June 2019	15 May 2019	24 May 2020	31 May 2020	2 June 2019	31 May 2020	
Number on issue at beginning of period	3,750,000	3,250,000	2,925,000	-	-	-	2,387,500	-	0.30
Issue of options/ Performance rights	-	-	-	500,000	250,000	2,250,000	-	4,270,000	0.19
Exercise of options/ Performance rights	(2,000,000)	(1,523,030)	-	-	-	-	(1,318,750)	-	0.22
Expiry of options	(1,750,000)	(1,726,970)	-	-	-	-	-	-	
On issue at end of period	-	-	2,925,000	500,000	250,000	2,250,000	1,068,750	4,270,000	0.26
Exercisable at end of period	-	-	1,950,000	500,000	85,000	750,000	-	422,500	
Assumptions used in estimating fair value of grants in current period:									
Grant date				16 May 2017	25 May 2017	31 May 2017		31 May 2017	
LOM share price at grant date (A\$)				0.315	0.300	0.305		0.305	
Estimated volatility				80%	80%	80%		80%	
Risk-free interest rate				2.4%	2.4%	2.4%		2.4%	
Fair value per option/right (A\$)				0.094	0.144	0.131		0.305	

	30 Jun 2017	31 Dec 2016
Weighted average remaining contractual life (years)	2.52	1.3
Weighted average LOM share price during the period/ year (A\$)	0.36	0.41

	30 Jun 2017	30 Jun 2016
	USD	USD
Share-based payment expense		
Director and employee options	611,502	453,128
Share issue expenses	44,101	2,088,702
	655,603	2,541,830

13. Events subsequent to reporting date

On 24 July 2017, Lucapa and its Lulo partners announced the results of the 8,566 line km TDEM survey flown over the Caculo River valley area within the Lulo concession. The TDEM results, and the re-interpretation of existing magnetic data, enabled all kimberlite targets in the Caculo River valley area to be reclassified for drilling in order of prospectivity.

On 31 July 2017, Lucapa and its Lulo partners announced the sale of a parcel of 2,070 carats of Lulo diamonds for gross proceeds of US\$1.5 million, bring sales for 2017 to US\$17 million at an average price per carat of US\$1,458.

On 8 August 2017, Lucapa released a corporate presentation for the annual Diggers & Dealers mining conference in Kalgoorlie, Western Australia.

On 17 August 2017, Lucapa and its Lulo partners announced the recovery of seven +50 carat diamonds from alluvial Mining Block 8 at Lulo. The diamonds included Type IIa gems weighing 83 carats and 68 carats.

On 17 August 2017, Lucapa announced it had received a total of US\$3.8 million of the US\$4 million loan repayment approved by SML on 8 March 2017.

On 4 September 2017, Lucapa announced the appointment of Mr Nick Selby as Executive Director, Operations.

On 7 September 2017, Lucapa announced that the repatriation of the US\$4m capital loan repayment from SML in Angola had been completed.

On 8 September 2017, Lucapa released a corporate presentation for the annual Africa Down Under mining conference in Perth, Western Australia.

On 8 September 2017, Lucapa and its Lulo partners announced the sale of a parcel of 3,214 carats of Lulo diamonds for gross proceeds of US\$7.4m, bringing gross sales for 2017 to US\$24.3m at an average price per carat of US\$1,640.

On 11 September 2017, Lucapa announced an update on its systematic kimberlite and lamproite drilling programs at the Lulo (Angola), Brooking (Western Australia) and Orapa Area F (Botswana) projects.

In the opinion of the directors of Lucapa Diamond Company Limited:

1. the financial statements and notes as set out on pages 13 to 25, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance, for the interim period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Miles Kennedy
Non-Executive Chairman

Dated at Subiaco this 12 day of September 2017



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Independent Auditor's Review Report

To the members of Lucapa Diamond Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lucapa Diamond Company Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Lucapa Diamond Company Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Lucapa Diamond Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lucapa Diamond Company Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 2.b, which outlines that the going concern basis is dependent upon successful completion of funding strategies to generate or raise sufficient funds to pay Lucapa Diamond Company Limited's debts as and when they fall due.

As a result, there is material uncertainty related to events or conditions that may cast significant doubt on Lucapa Diamond Company Limited's ability to continue as a going concern, and therefore whether it will realise its asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

12 September 2017

Perth
Western Australia

Competent Person's Statement

Information included in this announcement that relates to previously released exploration data was disclosed under JORC Code 2012. That 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 consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Forward-Looking Statements

This 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.

This announcement may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction.

This document does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this representation are not intended to represent recommendations of particular investments to particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

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

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

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.