LUCAPA
DIAMOND COMPANY

ASX Announcement 29 January 2018

QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

LULO DIAMOND PROJECT, ANGOLA

Alluvial diamond production

- Record quarterly throughput of 63,626 bcm contributing to record annual throughput of 251,968 bcm for calendar 2017
- 13,200 bcm on gravel stockpile from the high-value Mining Blocks 8 and 6 as part of 2018 wet season preparations
- Quarterly production of 5,127 carats contributing to annual production of 18,706 carats
- Total of 75 Specials (>10.8 carat diamonds) recovered in the Quarter – largest weighing 129 carats

Cash generation

- US$7.3m in revenues contributing to total 2017 gross revenues of US$31.6m at US$1,669 per carat – the world's highest US$ per carat alluvial production
- US$9.6m cash and receivables balance for Lulo mining company, *Sociedade Mineira Do Lulo,* plus closing diamond inventory of 2,711 carats
- Further loan repayment to Lucapa and cash distribution to Lulo partners to be proposed once 2017 accounts finalised

Kimberlite exploration

- Ongoing systematic drilling program continues to identify kimberlite bodies near the high-value Lulo alluvial mining blocks and other areas of high interest
- Core from 10 kimberlites exported to Cape Town for laboratory analysis. Next batch of core due to be exported in February 2018 in line with efforts to expedite laboratory turnaround

MOTHAE KIMBERLITE MINE, LESOTHO

- New mine plan delivers significant increases in kimberlite extraction, targeted diamond revenues and mine life
- US$15m financing facility secured to advance Phase 1 development, which is on schedule for commissioning in H2 2018
- Board approves bulk sampling program through refurbishment of existing 70 tph plant to test areas to add to the JORC resource and provide additional diamond data

BROOKING LAMPROITE PROJECT, WESTERN AUSTRALIA

- Brooking drilling program results in the discovery of a lamproite body at Little Spring Creek with significant concentrations of macro (7) and micro (112) diamonds in the drill core
- Follow up exploration programs being planned

LUCAPA, AUSTRALIA – CORPORATE

- US$13.3m (A$16.8m) Lucapa cash and undrawn finance facilities
- US$1.1m available to Lucapa in Angola for ongoing Lulo kimberlite exploration program

INTRODUCTION

Lucapa Diamond Company Limited (ASX: **LOM**) ("Lucapa" or "the Company") is an emerging global diamond company with a diversified portfolio of high-quality mining, development and exploration assets in Angola (Lulo alluvial mining and kimberlite exploration), Lesotho (Mothae kimberlite mine development), Australia (Brooking diamond-bearing lamproite discovery) and Botswana (Orapa Area F kimberlite exploration).

The Company's focus on expanding high-value diamond production from multiple sources is designed to maximise cash generation in a sector of the global diamond market where pricing remains robust.

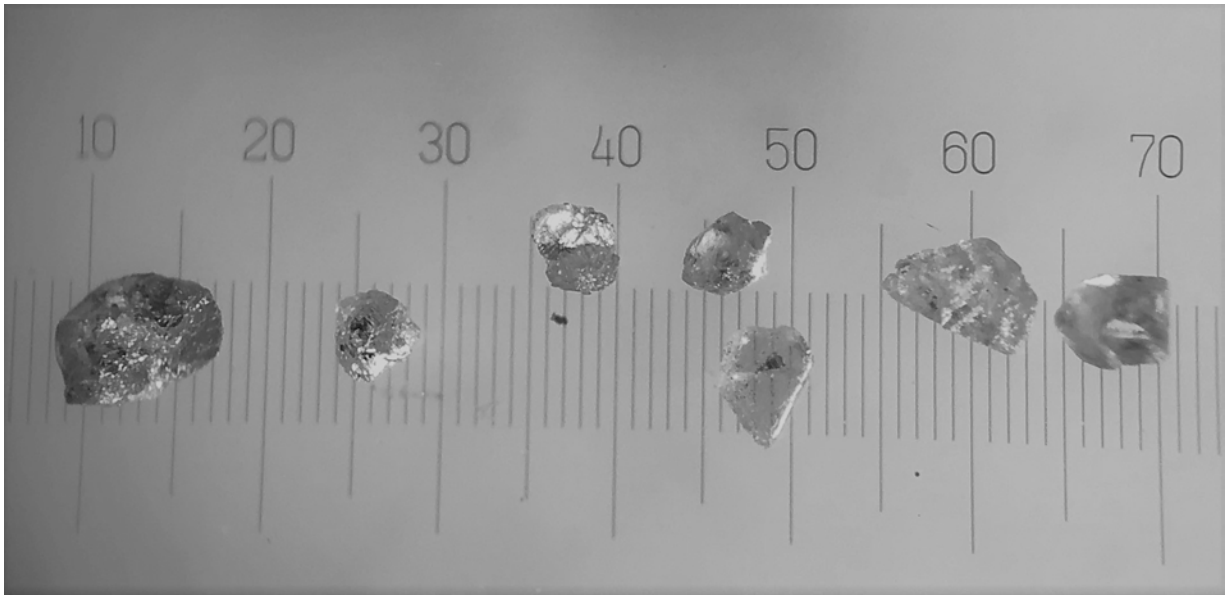
Lucapa and its respective project partners made significant advancements across four main work streams during the December 2017 Quarter ("the Quarter"). These included:

- Mining large and premium-value diamonds at **Lulo** at record mining and treatment rates, delivering the world's highest US$ per carat alluvial diamond production

- Continuation of a systematic drilling program, funded from Lucapa's alluvial mining returns, aimed at identifying the kimberlite sources of the exceptional Lulo alluvial diamonds

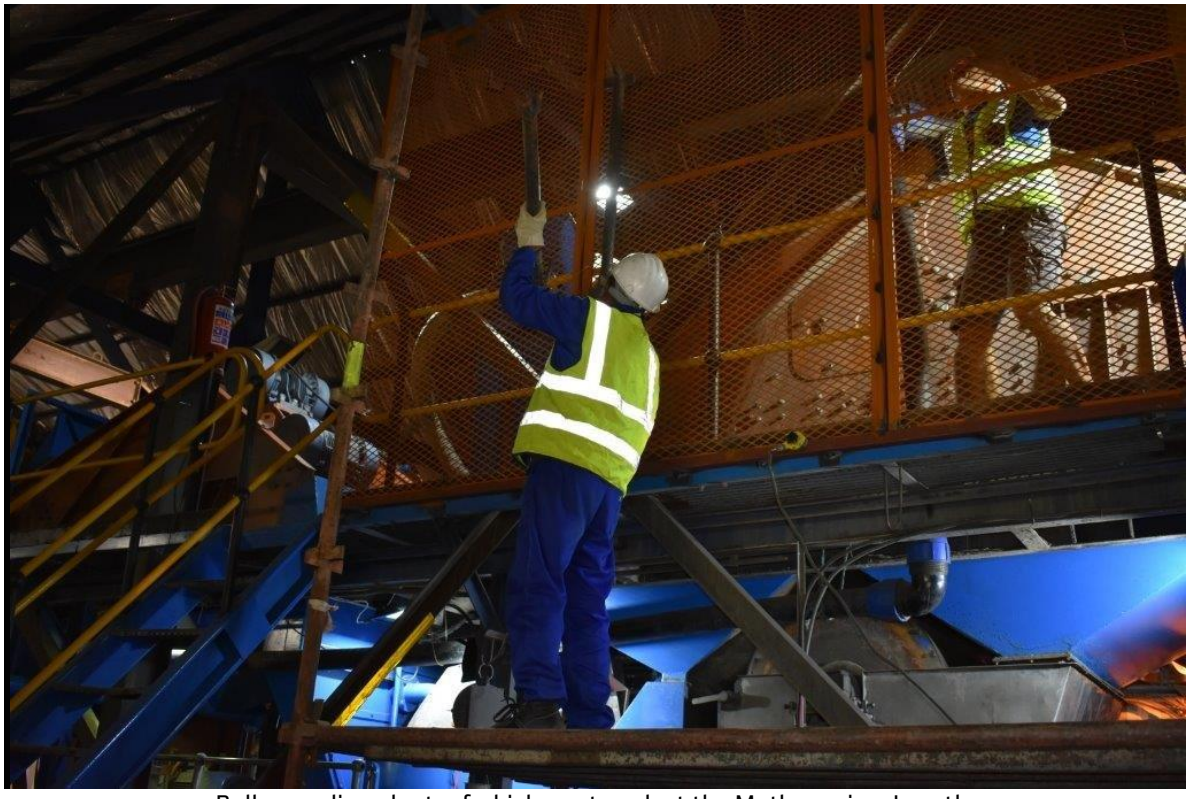
- Completion of an upgraded mine plan, financing and ongoing development of Phase 1 of the high-value **Mothae** kimberlite diamond project in Lesotho, along with planning for a bulk sampling program scheduled to commence this quarter

- Completion of a successful drilling program at the **Brooking** project in the West Kimberley which resulted in the discovery of lamproite at Little Spring Creek with significant concentrations of diamonds in the drill core



Seven macro-diamonds recovered from Little Spring Creek drill core sample at Brooking
(graticule gradations in 0.1mm intervals)

Selection of Lulo diamonds from recent production, including a 43 carat fancy yellow and other coloured gems



Bulk sampling plant refurbishment work at the Mothae mine, Lesotho

LULO DIAMOND PROJECT, ANGOLA
Alluvial Diamond Mining
Sociedade Mineira Do Lulo ("SML") (Lucapa 40% owner and operator)

Lulo alluvial diamond mining company SML treated a record 63,626 bulk cubic metres (bcm) of alluvial gravels during the Quarter, which assisted in delivering a record annual total throughput of 251,968 bcm for calendar 2017 (Table 1).

As at 31 December 2017, an additional 13,200 bcm of alluvial gravels from the high-value Mining Blocks 8 and 6 were stockpiled at the Lulo plant for processing in 2018.

Alluvial wet front end at the Lulo production plant, Angola

In addition to record mining (both in respect of overburden moved and gravel extracted) and treatment volumes being achieved, the Lulo partners continued to advance various 2018 wet season preparations during the Quarter, including accessing new mining blocks, stripping overburden, digging drainage channels and establishing or clearing access roads to planned kimberlite drilling targets.

Diamond production for the Quarter totalled 5,127 carats, contributing to an annual total of 18,706 carats. These production figures were down (by 3% and 6% respectively) on the corresponding 2016 totals, primarily as a result of a higher proportion of gravels being sourced in 2016 from Mining Blocks 6 and 8. This mix also contributed to lower grades of 8.1 carats per 100 cubic metres ($cphm^3$) for the Quarter and 7.4 $cphm^3$ for the year (Table 1).

Lulo continued to regularly produce large and premium-value diamonds throughout the Quarter, including 75 Specials. These Specials included six +50 carat diamonds including exceptional Type IIa D-colour gems weighing 129 carats and 78 carats.

Exceptional 78 carat and 129 carat Type IIa D-colour diamonds recovered during the Quarter

	Q4 16	Calendar 2016	Q4 17	Calendar 2017	*Var Q4 2017 to Q4 2016*	*Var CY 2017 to CY 2016*
Treated m^3 (bulked)	50,349	**189,333**	63,626	**251,968**	*26%*	*33%*
Carats Recovered	5,313	**19,833**	5,127	**18,706**	*-3%*	*-6%*
Grade Recovered (cphm³)	10.6	**10.5**	8.1	**7.4**	*-24%*	*-29%*
Stones Recovered	2,838	**11,709**	3,333	**13,400**	*17%*	*14%*
Specials Recovered	79	**269**	75	**238**	*-5%*	*-12%*
Actual Sales (carats)	4,677	**17,115**	4,126	**18,941**	*-12%*	*11%*
Actual Sales (US$m)	14.5	**51.0**	7.3	**31.6**	*-50%*	*-38%*
Actual Price/Carat (US$)	3,111	**2,983**	1,770	**1,669**	*-43%*	*-44%*
Actual Sales (A$m)	19.2	**69.5**	9.6	**41.0**	*-50%*	*-41%*
Actual Price/Carat (A$)	4,102	**4,059**	2,334	**2,165**	*-43%*	*-47%*
Diamond Inventory (carats)	2,921	**2,921**	2,711	**2,711**	*-7%*	*-7%*

Table 1: Diamond production and sales figures for the Quarter and calendar year 2017 and 2016 comparisons.
Note: 2016 figures include the record 404 carat *4th February Stone*, which sold for US$16m in February 2016

Alluvial Diamond Sales

During the Quarter, SML sold one parcel of Lulo alluvial diamonds weighing 4,126 carats for gross proceeds of US$7.3 million (A$9.6 million) representing an average price per carat of US$1,770.

Gross sales of diamonds for calendar 2017 were US$31.6 million at an average price per carat of US$1,669, the world's highest US$ per carat alluvial production. The corresponding 2016 gross sales total of US$51 million included the US$16 million sale of Angola's biggest recorded diamond, the 404 carat *4th February Stone*.

As at 31 December, SML had cash and receivables of US$9.6 million and an unsold diamond inventory of 2,711 carats (Table 1).

While a second sale for the Quarter was considered in December 2017, SML opted to schedule that sale in early 2018 to maximise sale values in what is traditionally a stronger demand period. Upcoming 2018 sales will include the exceptional 129 carat and 78 carat D-colour Type IIa gems recovered during the Quarter, along with the 43 carat yellow – the largest coloured gem recovered to date from Lulo. (See ASX announcements 19 December 2017 and 17 January 2018).

43 carat fancy yellow, the largest coloured gem recovered to date from Lulo

The next loan repayment from SML to Lucapa, and pro-rata distribution to the Lulo partners, will be proposed once SML's 2017 annual accounts have been finalised. During 2017, Lucapa received a US$4 million loan repayment from SML's 2016 profits, along with a US$1.6 million distribution which is being used to fund the ongoing Lulo kimberlite drilling program.

Kimberlite Exploration
Projecto Lulo (Lucapa 39% and operator)

Despite the wet conditions, the Lulo partners continued to advance their systematic kimberlite drilling program during the Quarter, utilising three drilling rigs, as available, to test targets identified near the high-value alluvial diamond mining operations and other areas of high interest (Figure 1).

These targets were selected following the completion of an 8,566 line km Time Domain Electromagnetic ("TDEM") survey flown earlier in 2017.

The ongoing drilling program has three main objectives:

- To determine which of the identified targets are kimberlites
- To recover core material from confirmed kimberlites for petrography, indicator mineral recoveries and mineral chemistry analysis
- To use those laboratory results to prioritise a much-reduced number of potentially diamondiferous kimberlite pipes for further drilling and bulk sampling

Kimberlite drilling has continued despite the wet and boggy conditions

Drilling during the Quarter continued to focus on the Zavige cluster of kimberlite targets located along tributaries draining from the south-west into, and around, the high-value Mining Blocks 8, 6 and 28 areas (Figure 1), where the Lulo partners have to date recovered and sold alluvial diamonds worth approximately US$85 million.

By the end of the Quarter, a total of eight kimberlites (Figure 1) had been intersected in this Zavige cluster (Table 2), where drilling continues. Drilling is scheduled to move to targets north-east and then south of the Cacuilo River once the remainder of the targets in the Zavige cluster have been drilled.

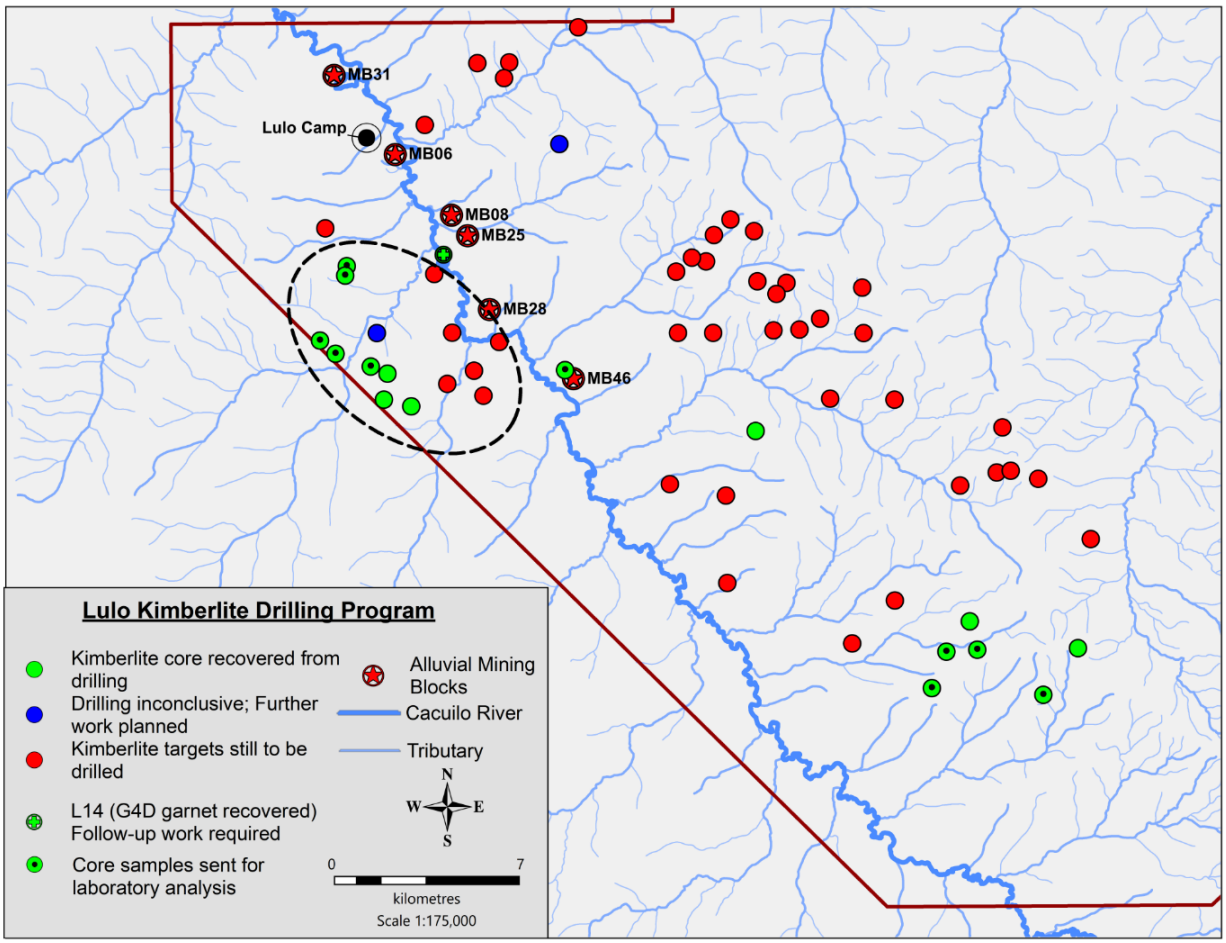


Figure 1: Progress on the kimberlite drilling program, including the kimberlites intersected in the Zavige cluster near Mining Blocks 8, 6 and 28 and the 10 kimberlites from which core samples were exported for laboratory analysis during the Quarter

With no specialist laboratory facilities available in Angola, the drill core is being progressively exported to Cape Town, South Africa, for laboratory analysis.

The Lulo partners have taken steps to speed up the laboratory turnaround times following unforeseen delays with an initial batch of kimberlite results received during the Quarter. As announced to the ASX on 10 November 2017, the laboratory results from that initial batch of core supported follow up work at L14, based on the recovery of a G4D garnet from this kimberlite (Figure 1).

Later in the Quarter, another batch of core from a further 10 kimberlites from the current drilling program was exported to Cape Town for laboratory analysis (Figure 1) (See ASX announcement 18 December 2017).

The next batch of kimberlite core is scheduled to be packed for export in early February 2018, in line with efforts to expedite the drilling and sampling program.

Two deep holes were drilled during the Quarter at target L259, which had been prioritised for drilling in 2016 following ground gravity and EM surveys due to its large size and proximity to Mining Block 8. The deep holes intersected primarily Calonda and Karoo material without intersecting in-situ kimberlite. While geological material of uncertain origin was identified at 200m in the deep drill holes, no other work is planned at this target.

MOTHAE DIAMOND PROJECT, LESOTHO
(Lucapa 70%, Government of the Kingdom of Lesotho 30%)

Lucapa made significant progress during the Quarter advancing the development of the Mothae diamond mine in Lesotho, southern Africa, in line with the Company's plans to add a second complementary high-value production source to Lulo in H2 2018.

Figure 2: Layout of the Mothae project showing the two lobes containing the +1m carat JORC resource and the neck and untreated kimberlite stockpiles not included in the JORC resource

Mothae is located within 5km of Letseng, the world's highest $ per carat kimberlite mine. In January 2018, Letseng produced a spectacular 910 carat diamond reported to be the fifth largest gem-quality diamond ever recovered[1].

Like Letseng, Mothae is a known host of large and premium value diamonds, with previous trial mining producing 23,400 carats of diamonds which achieved sale prices of up to US$41,500 per carat.

The diamonds recovered from the previous trial mining phase at Mothae included individual stones of up to 254 carats (boart), large Type IIa gems up to 54 carats and a total of 96 diamonds weighing more than 10 carats (See ASX announcement 31 January 2017).

Financing

During the Quarter, Lucapa secured a US$15 million funding facility for the Phase 1 development of Mothae. This allowed orders to be placed on long-lead items, keeping Mothae on track for planned commissioning in H2 2018 (See ASX announcement 9 October 2017).

The US$15 million facility was secured from Equigold Pte Ltd, a private Singaporean company associated with prominent resources investor Simon Lee AO.

The Company received further financing proposals during the Quarter which will be considered should further working or development capital be required.

[1] Gem Diamonds Limited announcement to the London Stock Exchange, 15 January 2018

New Mine Plan

On 23 October 2017, Lucapa completed and announced an updated mine development plan for Mothae designed to maximise kimberlite extraction, bring forward targeted diamond production and thereby increase project value and cash flows.

The improvements were primarily derived from a re-optimised pit design (to a depth of 300m) and increasing the size of the Phase 1 diamond plant from 100 tonnes per hour (tph) to 150 tph.

The improvements from this plan included:

- A 29% increase in gross project revenues to **US$776 million**
- A 26% increase in net operating cash flows to **US$312 million**
- A 22% increase in diamond production to **498k carats**
- A 30% increase in kimberlite material mined to **25 million tonnes**
- A 12% increase in mine life to **13.5 years** (notwithstanding higher Phase 1 throughput)
- A 31% increase in modelled pre financing project NPV to **US$85 million** (range of **US$55 million-US$151 million**)

Further details relating to the financing, new Mothae development plan, financial model with inputs and assumptions used are set out in Lucapa's ASX announcements of 23 October 2017.

Phase 1 Development Progress

With Phase 1 funding secured, Lucapa was able to advance multiple development work streams at Mothae during the Quarter to prepare for commercial diamond production.

These focus of these work streams included environmental submissions (Construction and Phase 1 operations environmental management plan), infrastructure improvement and development (fresh water dams, coarse tailings dump, slimes dam, roads, offices and accommodation), plant construction (contractor, plant design, location, equipment refurbishment and ordering of long-lead items), bulk earthworks, key personnel recruitment and work permit planning, Ministerial and departmental visits, rolling out of operating policies and procedures, local community engagement and CSR initiatives.

Raising the water dam wall at Mothae

Site preparations for the new 150 tph Mothae plant

Blasting of platform for new 150 tph Mothae plant

Construction of starter wall for life-of-mine slimes dam at Mothae

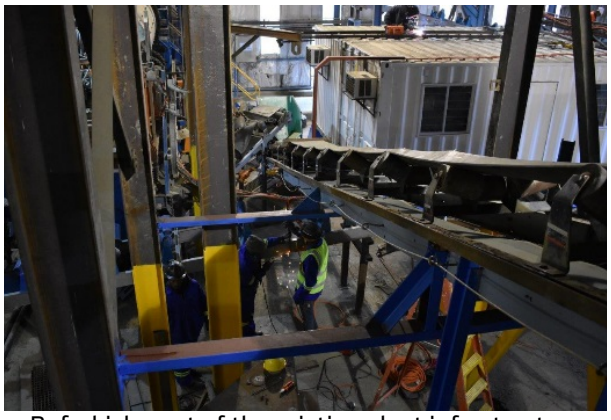
Refurbishment of Existing Plant Infrastructure for Preliminary Bulk Sampling

In addition to preparations for the commissioning of the new 150 tph plant, planning and work was also undertaken during the Quarter to refurbish and re-commission the existing 70tph plant and infrastructure at Mothae for a preliminary bulk sampling program (BSP).

Bulk sampling of the first kimberlite material through the refurbished plant is scheduled to commence in the current quarter. This will enable Lucapa to sample material from areas not included in the +1 million carat Mothae JORC resource, including the unprocessed stockpiles, residual material and the neck zone connecting the southern and northern lobes (Figure 2) and to recover additional diamond data.

Aerial view of the existing plant infrastructure at Mothae, which is being refurbished for a preliminary bulk sampling program

Pictures of the refurbishment work undertaken on the existing Mothae plant during the Quarter in preparation for the BSP are shown below.



Refurbishment of the existing plant infrastructure for bulk sampling

New screen discharge chute being installed

Refurbishment of a concentrate tube feeder

Adjusting scrubber tyres

Installation of the new secondary crusher surge bin

Upgrading secondary crusher discharge conveyor

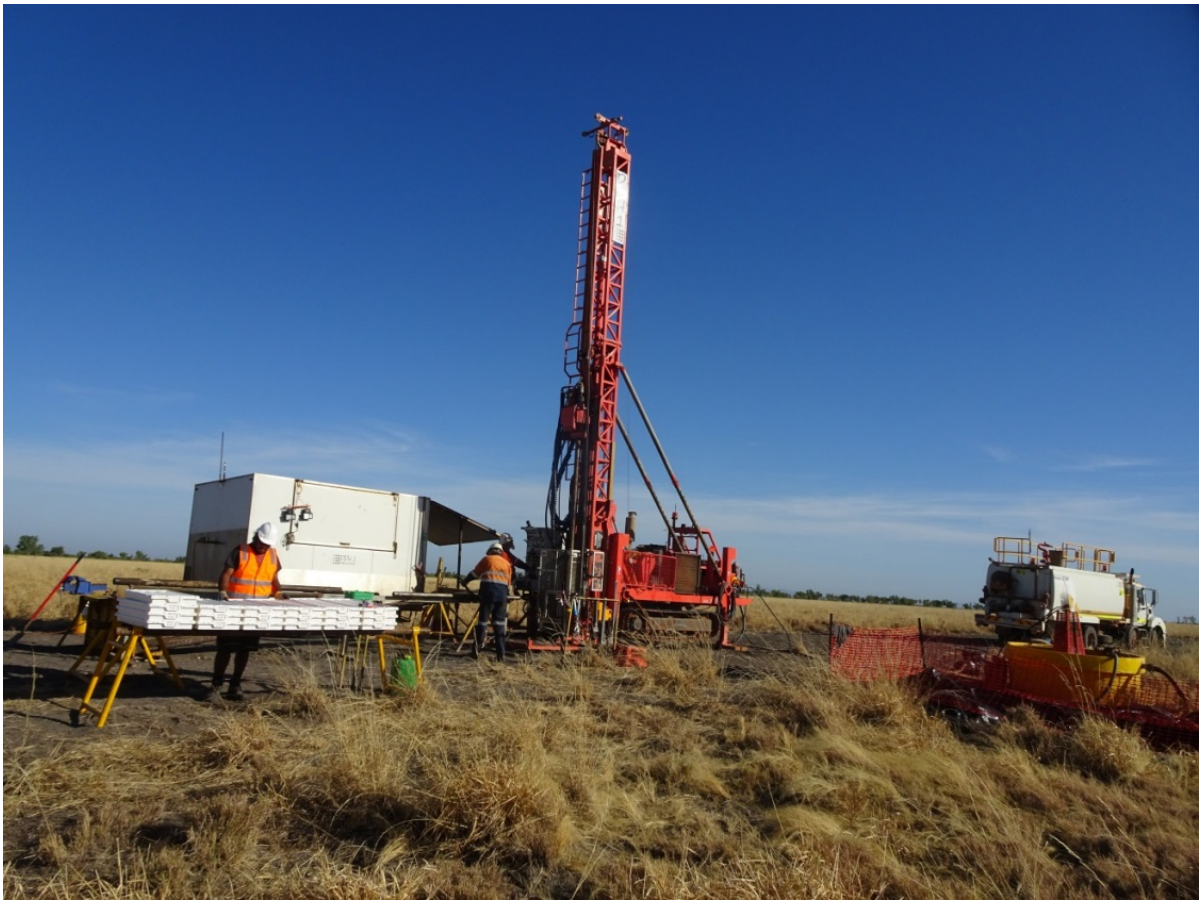
BROOKING DIAMOND PROJECT, WESTERN AUSTRALIA
(Lucapa 100% - project tenements owned 80%, Leopold Diamond Company 20%)

During the Quarter, Lucapa completed an 18-hole (1,319m) HQ core drilling program at the Brooking diamond project in Western Australia's West Kimberley region and transported the drill core to Perth.

Drilling was conducted across a series of targets within the 118km^2 Brooking project including Santa Fe (nine holes), Homestead Creek (two holes), North East Creek (four holes), south of Katie's Bore (two holes) and Little Spring Creek (one hole). While a second hole had been planned as part of the drilling program to test a second geophysical target at Little Spring Creek approximately 350m north north-east of LSC/001, this hole could not be drilled because of terrain access limitations.

The drilling aimed to identify possible lamproitic sources of the diamonds and abundant lamproite indicator minerals recovered from previous field sampling campaigns conducted within the Brooking project. Lamproite is a known host of diamonds in the West Kimberley region, most notably at the Ellendale E9 and E4 pipes located ~50km west of Brooking (Figure 3). When in operation, Ellendale was the world's leading producer of rare fancy yellow diamonds.

As detailed in the ASX announcement of 11 January 2018, lamproitic-like material was identified in the core from the one hole drilled at Little Spring Creek (LSC/001) (Figure 3). This lamproitic material was intersected close to surface and extended to a vertical depth of ~70m.



Drilling at the Brooking diamond project during the Quarter

Significantly, previous stream and surface sampling programs had produced highly-anomalous concentrations of diamonds and lamproite indicator minerals in the creek downstream of Little Spring Creek, indicating a proximal local source (See ASX announcement 23 November 2016).

These recoveries included 24 diamonds, 3,906 chrome-spinels, nine pyropes and two picro-ilmenites[2].

After initially undergoing petrographic analysis at Townend Mineral Laboratory to confirm the core sample was lamproitic, intervals of core were selected for micro-diamond analysis from depths between 12.6m and 68.3m.

[2] Brooking Diamond Project (Leopold Diamond Company Pty Ltd) Annual Report, December 2015, Department of Mines and Petroleum WA

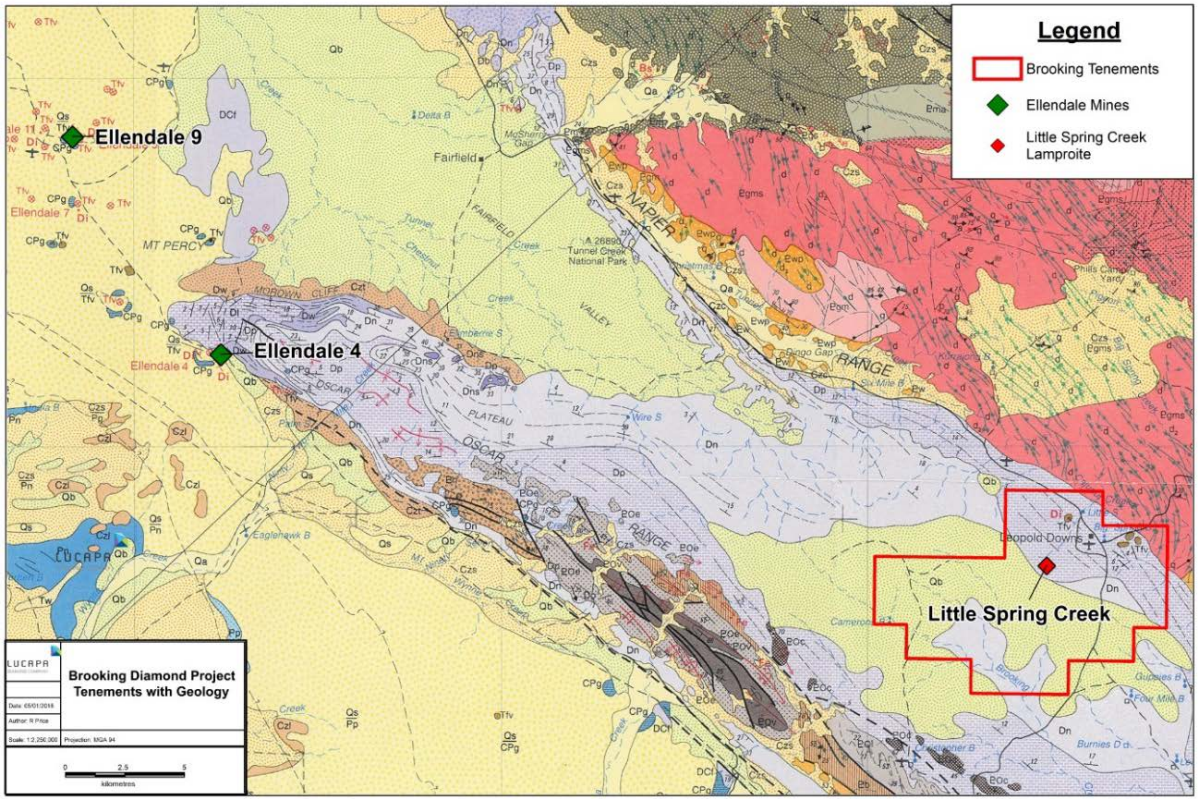


Figure 3: Location of the Little Spring Creek discovery within the Brooking project and proximity to the Ellendale E9 and E4 diamond mines

The initial sample treatment was performed by Diamond Recovery Services in Perth, where samples totalling 86.8kg were crushed and screened before undergoing heavy liquid separation and caustic fusion processing. The coarse fraction (>0.4mm) was subjected to a milling process in place of the caustic fusion. The final concentrate was examined for micro-diamonds and macro-diamonds by Global Diamond Exploration Services Pty Ltd down to a bottom screen size of 0.1mm.

As announced to the ASX subsequent to the Quarter on 11 January 2018, a total of 119 diamonds – including 112 micro-diamonds and 7 macro-diamonds (>0.5mm in at least one dimension) (Figure 4) - were recovered from the 86.8kg sample of core, thus confirming the lamproitic material extracted from Little Spring Creek as diamond-bearing.

The largest macro-diamond recovered from this process was approximately 1.0mm x 0.6mm x 0.5mm in size (Figure 4).

While no lamproitic material was observed in the core from the other targets drilled at Brooking, the core was reviewed in the wake of the Little Spring Creek discovery. As a result, core from the Santa Fe prospect has been submitted for laboratory analysis[3].

[3] Further to the ASX announcement of 11 January 2018, drill core from the North East Creek prospect was also reviewed, with no lamproitic-like material observed for laboratory analysis

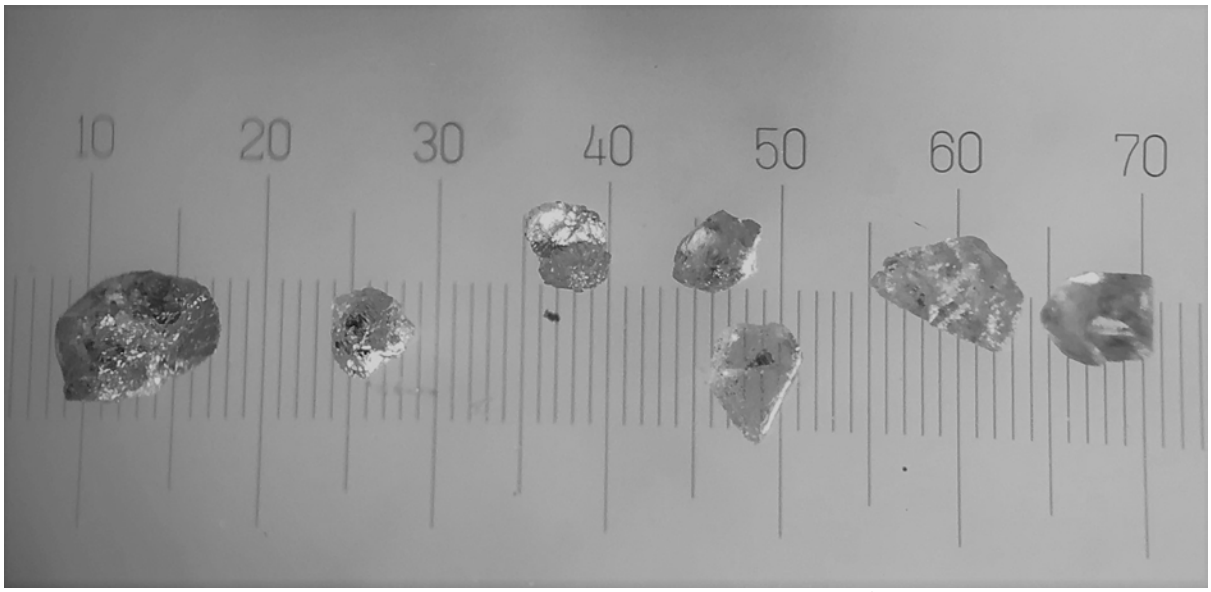


Figure 4: Macro-diamonds recovered from Little Spring Creek drill core sample (graticule gradations in 0.1mm intervals)

Follow-up Work Programs

Given the extremely positive results from Little Spring Creek, Lucapa's geological team is preparing priority additional and follow-up exploration programs at Little Spring Creek and other prospective targets identified within the broader 118km^2 Brooking project.

These programs will commence at Little Spring Creek and other targets where diamonds and indicator minerals have been recovered as soon as ground conditions permit after the northern wet season and will include:

- Infill stream sampling
- Ground and possible airborne geophysics, including test work on capability of ground-penetrating radar in the area
- Drilling
- Laboratory analysis of core
- Trenching and bulk sampling

ORAPA AREA F PROJECT, BOTSWANA

Lucapa's Orapa Area F project is located ~40km east of the prolific Orapa diamond mine in Botswana. Previous exploration programs at Orapa Area F – including ground magnetic, EM and gravity surveys – were successful in defining kimberlite drilling targets.

As referred to in the ASX announcement of 18 December 2017, Lucapa's proposed drilling program at Orapa Area F was delayed pending required approvals from authorities. As a result, drilling is now scheduled in 2018.

CORPORATE

As at 31 December 2017, Lucapa had cash reserves of US$8.3 million and undrawn financing facilities of US$5 million for total funds available of US$13.3 million (A$16.8 million).

As mentioned earlier in this report, Lucapa received further financing proposals during the Quarter which will be considered should further working or development capital be required.

Lucapa's available cash balance excludes funding set aside in Angola for the ongoing Lulo kimberlite drilling program.

In addition to Lucapa's cash reserves, Lulo alluvial mining company SML (Lucapa 40% and operator) had cash and receivables of US$9.6 million at 31 December 2017 together with unsold diamond inventory of 2,711 carats. This inventory included the exceptional 129 carat and 78 carat Type IIa D-colour gems recovered during the Quarter.

As advised during the Quarter, a further loan repayment to Lucapa and distribution to the Lulo partners will be proposed after SML's 2017 accounts are finalised.

For and on behalf of the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

Schedule of Tenements as at 31 December 2017					
Country	**Type**	**Size (km^2)**	**Period**	**Interest (%)**	**End date**
Angola	Exploration (primary) Kimberlite	3,000	5 years	39	*
Angola	Mining (secondary) and Exploration Alluvial	1,500	10 years	40	07/2025
Lesotho	Mining Licence	47	10 years	70	01/2027
Botswana	Reconnaissance	16	3 years	100	09/2018
Australia	Exploration Licence	72	5 years	80	12/2020
Australia	Exploration Licence	13	5 years	80	03/2019
Australia	Exploration Licence	29	5 years	80	06/2022
Australia	Exploration Licence[1]	3			

** 5-year licence extensions approved by the Angolan Minister of Geology & Mines in November 2016 with attaching Mining Investment Contract to be finalised*
[1] Application for Exploration Licence submitted and grant pending

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.

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.

Appendix 1

Reporting of kimberlite exploration results for the Lulo Project
– JORC Code (2012) requirements –

Sampling Techniques and Data

Criteria	JORC Code Explanation	Lucapa Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.) These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Drilling was undertaken using a combination of a Sedidrill conventional core drill rig owned by the company and a contract drilling rig provided by Rosanstroi and a Hanjin wireline coring rig owned and operated by the company. • The Sedidrill, drills a 76mm diameter hole recovering 61.7mm core. • The Rosanstroi rig has drilled both PQ and 112mm hole/96mm core diameters. • The Hanjin rig drills HQ diameter core.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• The drilling to date has consisted of diamond core drilling.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Core is recovered from the core barrel and stored in core boxes, before being transported by light vehicle to the core shed, where it is visually logged. • Core recovery is generally high.

Criteria	JORC Code Explanation	Lucapa Commentary
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• The core is visually logged • No quantitative analysis of the core is reported.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• No sub-samples have been taken
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• No assay or lab tests are reported.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*	• No verification of samples has been undertaken.

	• *Discuss any adjustment to assay data.*	
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Sample sites were initially located using a hand held GPS with a nominal accuracy of about 5m. The final location was measured using a Trimble Real-Time differential GPS system. • The grid system is WGS84 Zone 34L.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Drill spacing is variable and dependent on the size of the target being investigated. • No sample compositing is applied.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The samples are considered spot samples within a kimberlitic body. • Insufficient data exists to determine whether sample bias is present but given the nature of the bodies, bias is considered unlikely.
Sample security	• *The measures taken to ensure sample security.*	• Security of the drilling and core storage area, processing and diamond recovery is monitored by company and Angolan State Diamond Security personnel.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The sampling techniques are industry standard and no audits or reviews have been undertaken to validate the information presented at this stage.

Reporting of Exploration Results

Criteria	JORC Code Explanation	Lucapa Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	• The 1994 legislation covering the Angolan diamond industry stipulates that only Endiama (Empresa Nacional de Diamantes de Angola, the State Diamond Company) or joint ventures with Endiama, can hold diamond mining rights awarded by

	• *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	the Council of Ministers. • Under the terms of the Lulo Joint Venture Association Agreements, separate titles are granted for alluvial and kimberlite mining. The exploration for both alluvials and kimberlites on the Lulo Concession is a requirement under the Act. • The Angolan Government Gazette, dated 24 December 2007, authorized the formation of a Joint Venture for the purpose of prospecting, evaluation and mining of secondary (alluvial) diamond deposits. These rights were granted for a maximum period of five years. Should the Joint Venture wish to extend the agreement beyond five years, then 50% of the Concession would be relinquished. The equity distribution is: Endiama 32%, Lucapa Diamond Company Ltd 40%, Rosas e Petalas S.A. 28%. • In May 2014, the authorization for the kimberlite exploration and mining was gazetted and equity distribution in this is Endiama 51%, Lucapa Diamond Company Ltd 39%*, Rosas e Petalas S.A. 19% (*This interest will be reduced to 30% after recoupment of the investment). • A new kimberlite licence was awarded by the Angolan Ministry of Mines on 15th November 2016; subject to negotiation of a mining investment contract. • The 10-year alluvial mining licence was signed end July 2015 creating "Sociedade Mineira Do Lulo, LDA.", an Angolan incorporated company with which Lucapa Diamond Company Ltd has a 40% beneficial interest. This entity was incorporated in Angola in May, 2016.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Limited exploration has been undertaken by state controlled entities and joint ventures Diamang and Condiama. • Parts of the area have been exploited by artisanal miners – no records of this work are available.

Geology	• *Deposit type, geological setting and style of mineralisation.*	• Significant diamond bearing alluvial systems, of Mesozoic to Recent ages overlie a major, but relatively poorly explored, kimberlite field. The kimberlite pipes intrude flat-lying Proterozoic sediments within the Lucapa Graben. The kimberlite field is believed to be the source of the alluvial diamonds.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth hole length.* o *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• Drill hole collar information is tabulated in Table 2. • Intercept information is currently unverified and is not presented here.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No weighting, averaging, grade truncations or cut-off grades have been used. • No short or long length aggregation applicable. • No metal equivalent values are used.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear*	• The deposits may be regarded as massive deposits so drill hole orientation is not relevant.

	statement to this effect (e.g. 'down hole length, true width not known').	
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Appropriate map and plans for the reported mineralisation with scale and north points are included with the text of the report.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Results reported are complete.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• The drilling at L259 has been planned based on the ground geophysics work undertaken in Dec 2015 and Jan 2016. • All other targets have been drilled based on the aeromagnetic surveys conducted in 2008 and 2013, as well as a TDEM survey carried out in 2017.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Drilling will continue on the priority targets that have been identified by the company. • Core from the ongoing drilling program will be selected for laboratory testing in South Africa for petrographic and heavy mineral analysis, as well as dating, spectrographic analysis and possibly micro diamond analysis.

HOLE-ID	Drilling Type	Easting	Northing	Elevation	Azi	Dip	Total Depth
RS/254/03	Core	261942	8933017	1033	0	-90	102.00
HJ/248/08	Core	263283	8941041	997	300.68	-60	127.34
HJ/248/09	Core	263418	8941099	999	301	-60	213.54
RS/050/02	Core	262888	8932971	1034	0	-90	100.00

Table 2: Lulo Kimberlite Drilling Program – Drill Collar Details (For drilling post the 18 December 2017 ASX update)