LUCAPA
DIAMOND COMPANY

ASX Announcement 25 July 2018

QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 30 JUNE 2018

LULO DIAMOND PROJECT, ANGOLA

Alluvial diamond production

- Mining volumes up 27% to a record 72,671 bulk cubic metres
- Diamond production up 20% to 5,058 carats
- Weight of Specials (individual diamonds >10.8 carats) recovered up 18% to 1,412 carats

Cash generation

- US$5m gross sales at US$1,479/carat average for year to date H1 2018 sales of US$15.9m at US$1,642/carat
- US$10m cash and receivables balance for Lulo mining company, *Sociedade Mineira Do Lulo ("SML")*
- SML closing diamond inventory up 61% to 2,755 carats including large and high-value Specials held for later sale

Kimberlite exploration

- Kimberlite L164 highlighted for follow-up test work after producing the highest concentrations of kimberlitic indicator minerals of any kimberlite tested to date
- Kimberlite drilling program stepped up after the conclusion of the Angolan wet season, with core from a further 17 kimberlites sent for laboratory analysis in Cape Town including L104 and L204 targets

Angolan diamond sector reforms

- Angolan Government continues to advance diamond sector reforms, including an imminent launch of a new diamond marketing policy

MOTHAE KIMBERLITE MINE, LESOTHO

- Construction of new 150 tonne per hour diamond plant continues on schedule for H2 2018 commissioning, with most major components now delivered to site
- Large yellow diamonds weighing 89 carats and 25 carats recovered from current bulk sampling program designed to increase the known Mothae JORC resource. Diamonds recovered from the bulk sampling program will be included in the first Mothae sale parcel currently scheduled for Q4 2018

BROOKING LAMPROITE DISCOVERY, WESTERN AUSTRALIA

- Extensive follow-up exploration program launched at the Little Spring Creek lamproite discovery
- ~200kg of core samples from first follow-up drill hole sent to specialist Canadian laboratory for detailed micro-diamond analysis
- Airborne TDEM survey flown over entire 118km^2 Brooking project to identify new lamproite targets

LUCAPA, AUSTRALIA – CORPORATE

- US$10m (A$13.5m) Lucapa Quarter-end cash balance, excluding SML cash and inventories and Mothae bulk sampling recoveries

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 returns in a sector of the global diamond market where demand and pricing remains robust.

Lucapa, with its respective project partners, made significant advancements across its suite of diamond projects during the June 2018 Quarter, including:

- Mining large and premium-value diamonds at **Lulo**, continuing to deliver the world's highest US$ per carat alluvial diamond production

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

- Developing a second high-value diamond mine at the **Mothae** kimberlite project in Lesotho, while at the same time recovering large Special diamonds up to 89 carats from a concurrent bulk sampling program designed to expand the current published JORC resource

- Launching an extensive exploration and drilling program at the **Brooking** project in the West Kimberley to follow up on the spectacular micro and macro diamond recoveries at Little Spring Creek.

Figure 1: Lulo diamonds including the 114 carat Type IIa top-colour white stone

LULO DIAMOND PROJECT, ANGOLA

Alluvial Diamond Mining - *Sociedade Mineira Do Lulo ("SML")*
(Lucapa 40% associate and operator)

Lulo alluvial diamond mining company, SML, produced 5,058 carats of diamonds during the Quarter, an increase of 20% on the previous corresponding period (Table 1).

Lulo continued to regularly produce large and premium-value diamonds during the Quarter, with the number of Special diamonds recovered up 7% to 61, bringing to 118 the total number of Specials produced in H1 2018 (up 24%).

The total weight of Specials produced during the Quarter was up 18% to 1,412 carats for an H1 2018 total of 2,838 carats (up 22%). Specials recovered during the Quarter included the largest coloured diamond recovered to date from Lulo (46 carats) and three +70 carat diamonds.

Subsequent to the Quarter, Lucapa announced the recovery of a 114 carat diamond - the 11th +100 carat diamond recovered from Lulo to date (refer ASX announcement 11 July 2018). Subsequent to the announcement, deep boiling of the 114 carat diamond has confirmed it is a top-colour Type IIa stone.

The diamond production increases were generated from a 27% rise in mining volumes to 72,671 bulk cubic metres – a record quarterly result.

	Q2 17	H1 17	Q2 18	H1 18	*Var Q2 17 to Q2 18*	*Var H1 17 to H1 18*
Actual Treated m^3 (bulked)	57,283	**128,250**	72,671	**134,540**	*27%*	*5%*
Actual Carats Recovered	4,203	**8,301**	5,058	**9,566**	*20%*	*15%*
Actual Grade Recovered (cphm³)	7.3	**6.5**	7.0	**7.1**	*-5%*	*10%*
Actual No of Stones Recovered	3,336	**6,880**	3,230	**5,943**	*-3%*	*-14%*
Actual Avg Stone Size Recovered	1.3	**1.2**	1.6	**1.6**	*24%*	*33%*
Number of Specials Recovered	57	**95**	61	**118**	*7%*	*24%*
Specials Carat Weight	1,199	**2,328**	1,412	**2,838**	*18%*	*22%*
Diamond Inventory (carats)	1,716	**1,716**	2,755	**2,755**	*61%*	*61%*

Table 1: SML production and diamond recoveries for the June Quarter and H1 2018 and prior year comparatives

Figure 2: Lulo production

Alluvial Diamond Sales and Inventories

SML achieved gross sales revenues of US$5 million during the Quarter (up 6%) and US$15.9 million for H1 2018 (up 3%). These sales represented an average price per carat of US$1,479 for the Quarter and US$1,642 for H1 2018 (Table 2).

These positive sales revenues and prices were achieved notwithstanding the decision to withhold from the June 2018 sale several large and high-value Specials. These will be sold at a later date.

These Specials formed part of the 2,755 carat diamond inventory at 30 June 2018, up 61% on the previous corresponding period.

In addition to the diamond inventory, SML had cash and receivables of US$10 million at 30 June 2018. SML is considering its next loan repayment to Lucapa and pro-rata distribution to the Lulo partners, taking into account its strong cash position and large diamond inventories.

	Q2 17	H1 17	Q2 18	H1 18	*Var Q2 17 to Q2 18*	*Var H1 17 to H1 18*
Actual Sales (carats)	5,033	**9,531**	3,413	**9,656**	*-32%*	*1%*
Actual Sales (US$)	4,783,952	**15,444,807**	5,047,670	**15,855,298**	*6%*	*3%*
Actual Price per Carat (US$)	950	**1,620**	1,479	**1,642**	*56%*	*1%*
Actual Sales (A$)	6,363,005	**20,316,731**	6,702,875	**20,205,476**	*5%*	*-1%*
Actual Price per Carat (A$)	1,264	**2,132**	1,964	**2,093**	*55%*	*-2%*

Table 2: SML revenue for the June Quarter and H1 2018 and prior year comparatives

Figure 3: Lulo production, including white and fancy coloured diamonds

Kimberlite Exploration - *Project Lulo*
(Lucapa 39% joint venture partner and operator)

The Lulo kimberlite exploration program aims to identify the primary hard-rock source(s) of the exceptional alluvial diamonds being recovered from within the concession. Lucapa funds the program from its share of alluvial mining distributions from SML.

During the Quarter, the Lulo partners received the results from the second batch of kimberlite core samples from the current drilling program sent to Cape Town, South Africa, for laboratory analysis (refer ASX announcement 19 April 2018).

Technical consultants, Remote Exploration Services ("RES"), highlighted kimberlite L164 for follow-up work based on it having the highest concentration of G3D and G4D garnets and other kimberlitic indicator minerals of any Lulo kimberlite target tested to date, including 11 garnets classified as diamond-associated grains.

Figure 4: Kimberlite drilling at Lulo

The end of the Angolan wet season enabled the Lulo partners to step up the kimberlite drilling program during the Quarter, in line with the aim of extracting core from all remaining kimberlite targets (~36) on the current list by the end of calendar 2018.

At the end of the Quarter, core samples from a further eight Lulo kimberlites were undergoing laboratory analysis (refer ASX announcement 19 April 2018). RES has since completed its analysis of five of those kimberlites, which have been assessed as not warranting further follow-up work. Micro-probing of core samples from the remaining three kimberlites in the laboratory is continuing.

In addition, drill core samples from a further nine Lulo kimberlites have been logged and exported to the Cape Town laboratory. Of most interest in this batch is the core from kimberlite targets L104 (Figure 5) and L204 (Figures 6-7).

L104 was identified for drilling following the discovery of diggings (garimpeiro) over the kimberlite target, while L204 was identified for drilling from associated soil sampling results.

Figure 5: Orange eclogitic garnet in core from kimberlite L104 at 59.8 metres depth

Figure 6: Pyroclastic kimberlite ("PK") material in kimberlite L204 from 50 metres depth

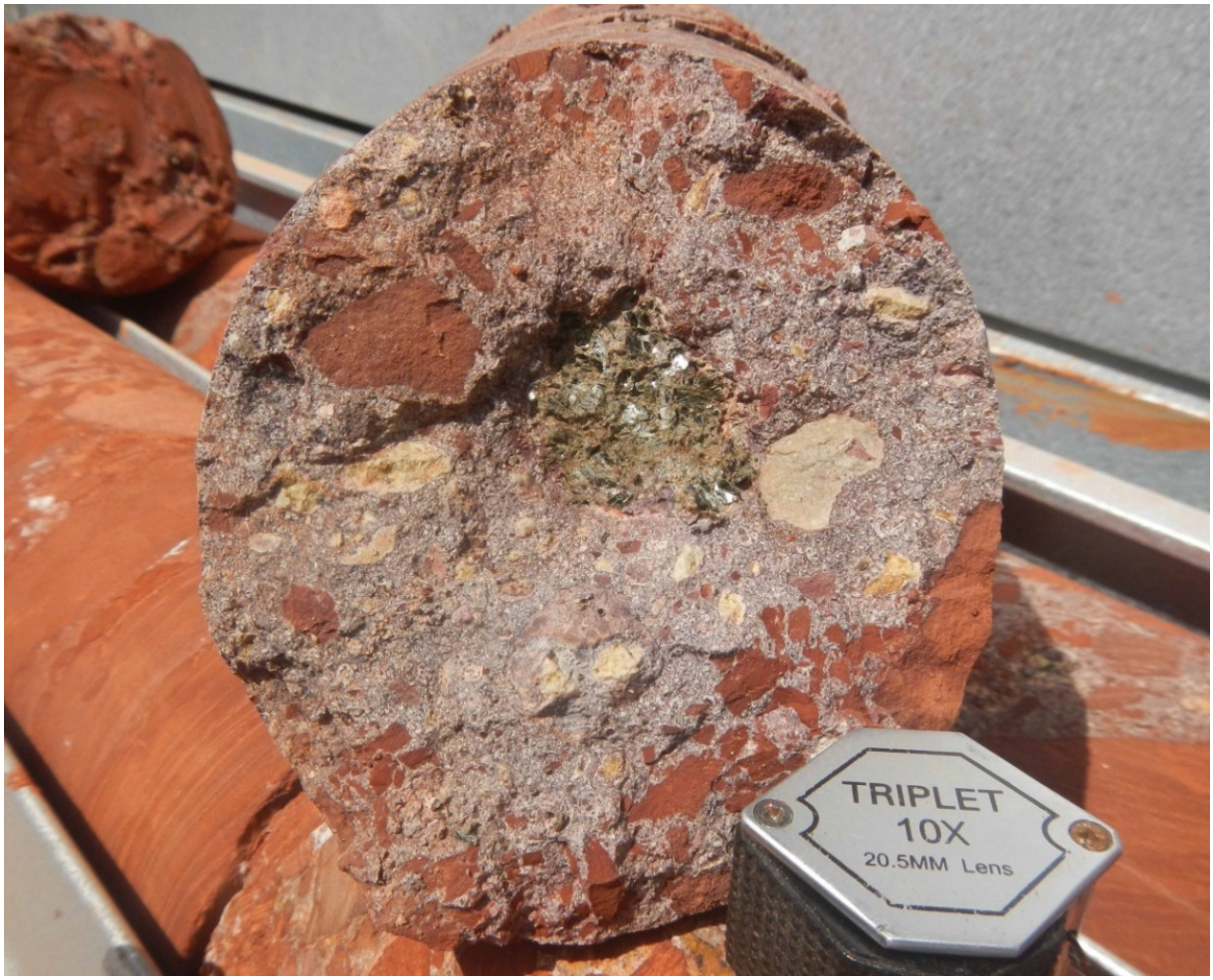

Figure 7: Phlogopite in possible mantle xenolith in kimberlite L204 at 41 metres depth

Angolan Government Diamond Reforms

During the Quarter, the new Angolan Government, headed by His Excellency President Joao Lourenco, continued to advance diamond sector reforms in line with the Government's goal to expand Angola's diamond production through increased foreign investment.

This included President Lourenco stating a desire for Angolan diamonds to be marketed in jurisdictions such as Antwerp during a visit to the global diamond trading centre, and an anticipated Presidential decree to launch a new diamond marketing policy for Angolan production.

Lucapa remained in positive dialogue with Angolan officials during the Quarter to assist the Government in achieving their stated objectives and looks forward to favourable outcomes.

MOTHAE DIAMOND PROJECT, LESOTHO

Kimberlite mine development – *Mothae Diamonds (Pty) Ltd*
(Lucapa 70% subsidiary, Government of the Kingdom of Lesotho 30%)

The Mothae kimberlite pipe in Lesotho, southern Africa, is a high-quality large stone diamond resource located within 5km of Letšeng, the highest US$ per carat kimberlite diamond mine in the world. Like Letšeng, 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$57,000 per carat (see ASX announcement 31 January 2017).

During the Quarter, Lucapa made significant progress at Mothae with two parallel work streams:

- A bulk sampling program using the refurbished plant and infrastructure (Figure 8) with the aim of expanding the current published JORC resource and;
- Construction and development of a new 150 tonne per hour (90,000 tonne per month) commercial diamond plant incorporating a large-diamond recovery circuit utilising XRT technology (Figures 11-16)

Bulk Sampling Program

The bulk sampling program was designed to expand the current published Mothae JORC resource (refer ASX announcement 24 March 2017), and assist mine planning, by testing areas of the kimberlite pipe which had either not been sampled, or where previous sampling had been insufficient.

The areas of the Mothae kimberlite pipe to be tested through the refurbished bulk sampling plant (Figure 8) include the Neck zone, the South-East zone and the North zone. Lucapa plans to extract and process staged bulk samples of up to 50,000 tonnes from each of these zones.

Figure 8: The refurbished bulk sampling plant at Mothae which is testing material from the Neck, South-East and North zones of the Mothae kimberlite pipe

This bulk sampling program is ongoing and is expected to be completed late in the September 2018 quarter, when results will be announced.

Preliminary recoveries have been extremely encouraging; with Lucapa recovering an 89 carat yellow diamond from the South-East zone and a 25 carat yellow diamond from the previously untested Neck zone (refer ASX announcements 29 June 2018 and 22 May 2018) (Figures 9-10). These preliminary bulk sampling results provide further evidence that like the neighbouring Letšeng mine, Mothae is another source of large diamonds.

Overall recoveries of Mothae diamonds from the ongoing bulk sampling program totalled almost 1,000 carats at 30 June and currently stand at ~2,000 carats. These bulk sampling diamonds will be included in the first sale parcel of Mothae diamonds currently scheduled for Q4 2018.

Figure 9: 89 carat yellow diamond recovered from the South-East zone at Mothae, which will be included in the first sale parcel

Figure 10: 25 carat yellow diamond and white diamonds recovered from the previously untested Neck zone at Mothae, which will be included in the first sale parcel

New 150tph Plant Construction

During the Quarter, construction of the new 150tph commercial diamond plant continued on schedule for H2 2018 commissioning and commercial diamond production.

The recent arrival at Mothae of the two XRT large-diamond recovery units, which were manufactured in Germany, means most of the major diamond plant components have now been delivered to site.

Construction progress is shown in Figures 11-16. Lucapa expects to provide an update on the commissioning timeline for the new 150tph diamond plant later this quarter.

Progress was also made during the Quarter on water, tailings and site infrastructure, along with the upgrading of roads for all-weather access.

Figure 11: Plant construction viewed from over one of the fresh water dams

Figure 12: One of two XRT recovery units delivered to Mothae

Figure 13: Construction of the scrubbing and screening module

Figure 14: Construction of the secondary crusher module

Figure 15: Construction of the dense media separation ("DMS") feed bin module (foreground) with conveyors to DMS module (background)

Figure 16: Construction of the DMS module

BROOKING DIAMOND PROJECT, WESTERN AUSTRALIA

Lamproite Exploration - *Brooking Diamonds (Pty) Ltd*
(Lucapa 100% subsidiary - project tenements owned 80%, Leopold Diamond Company 20%)

Lucapa's Brooking project is located in the West Kimberley region of Western Australia within 50km of the Ellendale mine which, until its recent closure, produced more than 50% of the world's fancy yellow diamonds.

During the Quarter, Lucapa launched an extensive exploration program to follow up on the LSC-01 diamond discovery hole, from which 119 micro and macro diamonds were recovered from an 86.8kg sample of lamproite core from a single drill hole (refer ASX announcement 11 January 2018).

This follow-up program commenced with the ground-based geophysical surveys (electromagnetics and ground penetrating radar) which were successful in defining the body at Little Spring Creek to help position coordinates for the follow-up drilling program (refer ASX announcement 23 May 2018).

The follow-up drilling program commenced at Little Spring Creek in June 2018 (Figure 17). Subsequent to the Quarter, Lucapa announced that lamproite core from the first PQ (85mm) drill hole completed (DH-002) had been logged and ~200kg of core samples air-freighted to a specialist laboratory in Canada for detailed micro-diamond analysis (refer ASX announcement 9 July 2018).

These core samples arrived at the laboratory on 18 July after clearing customs in Canada.

Figure 17: Drilling at the Little Spring Creek discovery and flying of the TDEM survey across the broader Brooking project

In parallel with the Little Spring Creek drilling program, Lucapa engaged New Resolution Geophysics ("NRG") to fly a helicopter-borne Xcite Time Domain Electromagnetic ("TDEM") survey over the entire 118km^2 Brooking project area during the Quarter (Figure 17).

The TDEM survey was designed to identify additional drilling targets within the Brooking project where diamonds and lamproite indicator minerals were recovered from previous surface sampling programs. These additional target areas included Cameron's Bore, Katie's Bore, East-West Creek, Homestead Creek, Santa Fe Dam and North East Creek (Figure 18).

Subsequent to the Quarter, NRG completed flying the Xcite TDEM survey on schedule (refer ASX announcement 9 July 2018). The interpretation and modelling of the TDEM survey data is expected to take approximately four weeks to complete and Lucapa will announce the results, along with the micro-diamond analysis results, as soon as they come to hand.

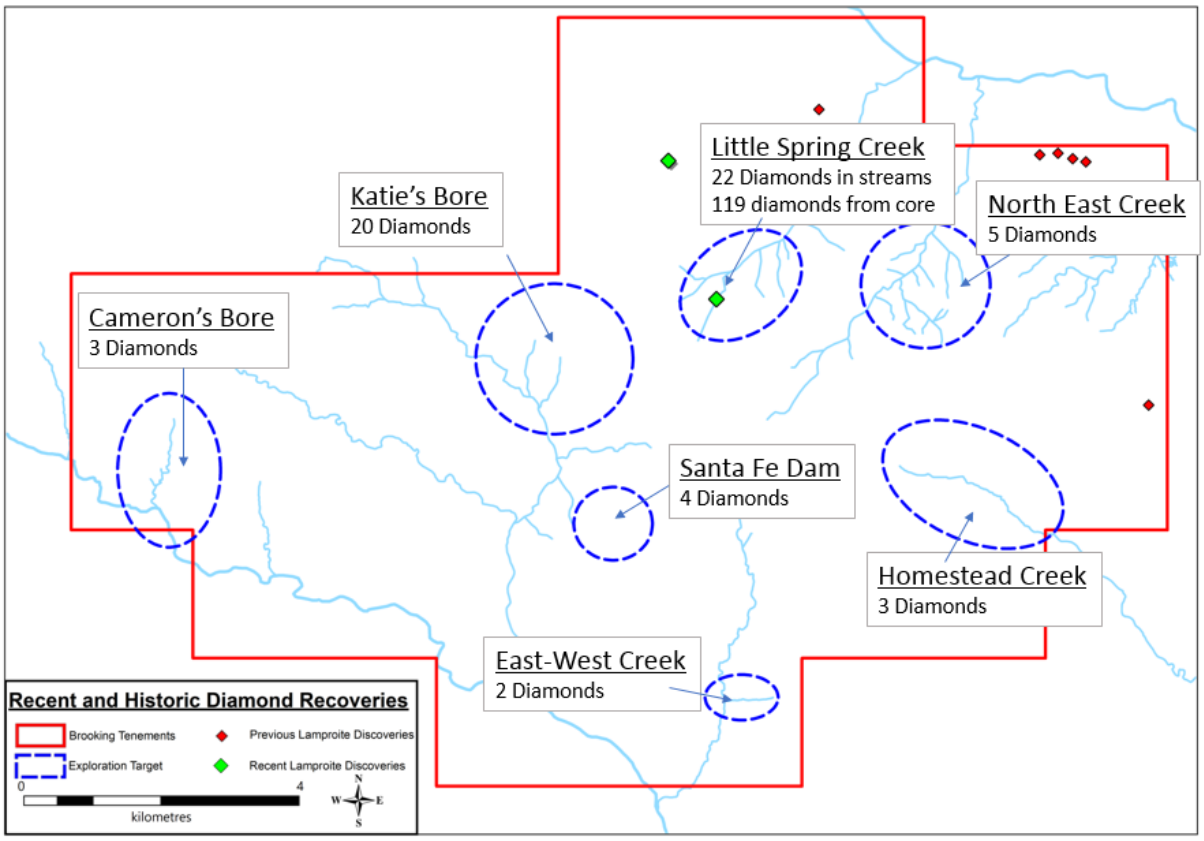

Figure 18: Exploration targets at the Brooking diamond project showing diamond recoveries from previous stream sampling and diamonds from the Little Spring Creek discovery hole[1]

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

ORAPA AREA F PROJECT, BOTSWANA

Kimberlite Exploration – *Lucapa Diamonds (Botswana) Pty Ltd* (Lucapa 100% subsidiary)

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 previously announced, Lucapa's proposed drilling program at Orapa Area F has been delayed pending the required environmental approvals being granted from the relevant authorities. Lucapa hopes to receive the necessary approvals this quarter.

CORPORATE

During the Quarter, Lucapa completed a US$12.3m (A$16.5m) private placement. The placement was supported by major existing Lucapa shareholders and saw Tazga Two Pty Ltd (a private company associated with Mr Ross Stanley) emerge with a substantial shareholding of 8.58% in Lucapa.

Lucapa's Quarter-end cash balance stood at US$10m (A$13.5m). This balance excludes cash held by the Company in Angola to fund the ongoing Lulo kimberlite exploration program.

In addition to Lucapa's cash reserves, Lulo alluvial mining company SML had Quarter-end cash and receivables of US$10m and an unsold diamond inventory of 2,755 carats, including several large high-value Special diamonds.

As previously noted, SML is considering its next loan repayment to Lucapa and pro-rata distribution to the Lulo partners, taking into account its strong cash position and large diamond inventories. In addition, diamonds recovered from the ongoing Mothae bulk sampling program, including the 89 carat and 25 carat diamonds recovered during the Quarter, will be included in the first sale parcel of Mothae diamonds, currently scheduled for Q4 2018.

During the Quarter, Lucapa continued discussions with a South African financier regarding a project-level financing proposal for Mothae. Lucapa expects these discussions will be concluded in the current quarter.

During the Quarter, the Company announced its intention to arrange for the sale of unmarketable share parcels. This process has now been completed.

Schedule of Tenements as at 30 June 2018

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	3	5 years	80	06/2023

** 5-year licence extensions approved by the Angolan Minister of Geology & Mines in November 2016 with attaching Mining Investment Contract being finalised*

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 Richard Price MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Price is an employee of Lucapa Diamond Company Limited. Mr Price 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 Price consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

No New Information

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

Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement. This announcement is for information purposes only. Neither this document nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.

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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, a contract wireline 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.*	• All core is visually, semi-quantitatively logged and photographed at the operations core shed.
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.*	• Sections of core were selected for petrographic analysis and indicator mineral recovery to represent the major lithologies present at each body. • Each petrography sample was marked up and submitted to the laboratory for thin section and polished slab production. • Each mineral chemistry sample was a composite of small sections down a hole to fully represent the intercept of the rock being sampled. • The mineral chemistry samples were crushed and screened to -2.36mm - +0.3mm fractions. The material was passed through tetrabromoethane (TBE) to separate heavy mineral concentrates. • The concentrates were split into ~10g splits which were visually picked for kimberlitic indicator minerals (KIM's) to provide unbiased populations of grains for compositional analysis. • Representative sets of each KIM species were selected and mounted into epoxy disks for compositional analysis using a Zeiss EVO® MA15 Scanning Electron Microscope.
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.*	• The laboratory procedures are standard for kimberlite exploration purposes. • Mineral standards provided by Mineral Services Laboratories, acquired from The Smithsonian Institution, were used for standardization and verification of the analyses • Apart from Na_2O concentration in garnet, the mineral compositions were quantified by energy dispersive spectrometry using an Oxford Instruments® X-Max 20mm^2 detector and Oxford INCA software. Beam conditions during the quantitative analyses were 20 KV, with a working distance of 8.5 mm and an approximate beam current of –20 nA. The counting time was 10 seconds live-time. Pure Co was used periodically

		to correct for detector drift on the ED detector. • Na_2O and MnO concentrations in garnet were measured by wavelength dispersive spectrometry using an Oxford Instruments® Wave Dispersive X-ray Spectrometer
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.* • *Discuss any adjustment to assay data.*	• No verification of samples or twinning has been undertaken, however QA/QC grains were inserted into the mineral sequences for quality control purposes.
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.*	• Drill 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. • Sample compositing of mineral chemistry samples is applied to improve representivity.
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. • All samples were securely sealed before departure from site, and unsealed on arrival at the laboratory. No evidence of tampering was observed.
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. • Samples were selected based on a methodology recommended by an independent consultant specialising in kimberlite sampling.

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 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 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 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:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth hole length.* ○ *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 of the new drill holes reported is tabulated as Table 2. • Intercept information 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 statement to this effect (e.g. 'down hole length, true width not known').*	• The deposits may be regarded as massive deposits so drill hole orientation is not relevant.
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*	• Results reported are complete.

	grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	
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.

Section 3 (resources) does NOT apply to this announcement

Section 4 (reserves) does NOT apply to this announcement

Estimation and Reporting of Diamonds and Other Gemstones

Criteria	JORC Code Explanation	Lucapa Commentary
Indicator minerals	• *Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.*	• Kimberlite core samples were crushed and concentrated by Scientific Services in Cape town. • Indicator grains were selected by Remote Exploration Services and submitted to the Central Analytical Facility (CAF) at the University of Stellenbosch for microprobe analysis.
Source of diamonds	• *Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.*	• No diamonds were recovered as part of this analysis.
Sample collection	• *Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (e.g. large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).* • *Sample size, distribution and representivity.*	• Samples were selected from HQ and PQ diameter core. Between 8 and 20kg of sample were submitted to the laboratory for analysis. Material was collected from throughout the sampled zone to ensure representivity of the sampled interval • The sample size, distribution and representivity are appropriate for this activity.

Criteria	JORC Code Explanation	Lucapa Commentary
Sample treatment	• *Type of facility, treatment rate, and accreditation.* • *Sample size reduction. Bottom screen size, top screen size and re-crush.* • *Processes (dense media separation, grease, X-ray, hand-sorting, etc.).* • *Process efficiency, tailings auditing and granulometry.* • *Laboratory used type of process for micro diamonds and accreditation.*	• Sections of core were selected for petrographic analysis and indicator mineral recovery to represent the major lithologies present at each body. • Each petrography sample was marked up and submitted to the laboratory for thin section and polished slab production. • Each mineral chemistry sample was a composite of small sections down a hole to fully represent the intercept of the rock being sampled. • The mineral chemistry samples were crushed and screened to -2.36mm - +0.3mm fractions. The material was passed through tetrabromoethane (TBE) to separate heavy mineral concentrates. • The concentrates were split into ~10g splits which were visually picked for kimberlitic indicator minerals (KIM's) to provide unbiased populations of grains for compositional analysis. • Representative sets of each KIM species were selected and mounted into epoxy disks for compositional analysis using a Zeiss EVO® MA15 Scanning Electron Microscope. • No microdiamond analysis was conducted for these samples
Carat	• *One fifth (0.2) of a gram (often defined as a metric carat or MC).*	• Reported as carats.
Sample grade	• *Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.* • *The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.* • *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).*	• No sample grades are quoted in this report
Reporting of Exploration Results	• *Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.* • *Sample density determination.*	• No diamond grades are quoted in this report

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	• *Per cent concentrate and undersize per sample.* • *Sample grade with change in bottom cut-off screen size.* • *Adjustments made to size distribution for sample plant performance and performance on a commercial scale.* • *If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.* • *The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.*	
Grade estimation for reporting Mineral Resources and Ore Reserves	• *Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.* • *The sample crush size and its relationship to that achievable in a commercial treatment plant.* • *Total number of diamonds greater than the specified and reported lower cut-off sieve size.* • *Total weight of diamonds greater than the specified and reported lower cut-off sieve size.* • *The sample grade above the specified lower cut-off sieve size.*	• No diamond resources are reported. • No diamond reserves are reported.

Value estimation	• *Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.*
	• *To the extent that such information is not deemed commercially sensitive, Public Reports should include:*
	  ○ *diamonds quantities by appropriate screen size per facies or depth.*
	  ○ *details of parcel valued.*
	  ○ *number of stones, carats, lower size cut-off per facies or depth.*
	• *The average $/carat and $/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.*
	• *The basis for the price (e.g. dealer buying price, dealer selling price, etc.).*
	• *An assessment of diamond breakage.*
		• No diamond value estimates are reported.

Security and integrity	• *Accredited process audit.* • *Whether samples were sealed after excavation.* • *Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.* • *Core samples washed prior to treatment for*	• There has been no accredited process audit. • Samples were sealed in the presence of mine security personnel and Angolan State diamond security personnel. • No diamonds were recovered. • Microdiamonds were not processed. • No audit samples were collected because of

Criteria	JORC Code Explanation	Lucapa Commentary
	micro diamonds. • *Audit samples treated at alternative facility.* • *Results of tailings checks.* • *Recovery of tracer monitors used in sampling and treatment.* • *Geophysical (logged) density and particle density.* • *Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.*	the nature of the samples. • Tailings have not been checked for indicators. • No tracer monitoring was undertaken, but standard grains were used to check the analysis. • Geophysical densities were not determined. • Cross validation of weights with hole volume and density is not considered appropriate for the stage of exploration.
Classification	• *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.*	• No resource is classified in this report.

Table 2: Lulo Kimberlite Drilling Project - Drill Collar Details

HOLE-ID	Drilling type	Easting	Northing	Elevation	Azi	Dip	Total Depth
RS-204-03	Core	286,657.5	8,920,989	1,070	0	-90	101.00
HJ-103-02	Core	269,668.3	8,927,546	1,012	273	-60	105.54
HJ-054-01	Core	267,194.8	8,929,551	1,010	0	-90	102.74
RS-221-01	Core	264,769.0	8,935,621	1,009	0	-90	98.00
HJ-104-02	Core	269,322.7	8,926,894	1,006	0	-90	195.79
HJ-052-02	Core	265,393.5	8,930,423	1,028	0	-90	96.94
HJ-232-02	Core	267,508.2	8,927,326	1,028	0	-90	144.84
RS-256-01	Core	262,748.3	8,934,869	1,026	0	-90	101.50
HJ-047-04	Core	265,846.9	8,933,287	1,021	152	-60	57.60