



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Lucapa Diamond Company Limited (ASX: LOM) (“Lucapa” or “the Company”) delivered on key operational goals at its high-value Lulo and Mothae diamond mines in the June 2019 Quarter (“the Quarter”) and H1 2019, putting the Company on track to report an operating profit in 2019.

Lucapa is well-positioned to build on those results in H2 2019 as mining at Mothae transitions to the higher-margin diamond zones in the southern pit and production is scaled up at Lulo following the arrival on site of an extensive new fleet of earthmoving equipment.

Highlights

PRODUCTION AND SALES FOR THE JUNE QUARTER AND H1 2019				
	Mothae¹	Lulo²	Q2 Total	H1 Total
Tonnes treated	265,408	116,627*	382,035	789,614
Carats recovered	6,349	3,868	10,217	20,504
Diamond sales (US\$)	US\$3.5m	US\$10.0m	US\$13.5m	US\$29.4m
Diamond sales (A\$)	A\$5.0m	A\$14.5m	A\$19.5m	A\$41.4m
+4.8 carat diamonds recovered	91	124	215	445
Closing diamond inventories (carats)	3,855	3,147	7,001	7,001

¹70% subsidiary; ²40% associate. * Converted from bulk cubic metres to tonnes

Mothae kimberlite mine, Lesotho:

- Diamond carat production and grades ~20% ahead of plan
- Recovery of largest gem-quality diamond - 126 carats
- Second diamond tender completed in Antwerp; third tender scheduled for July 2019
- Cash operating costs of US\$12.56/tonne - 14% better than plan
- EBITDA of M15.5m (US\$1.1m) for H1 2019³
- Dewatering of southern pit underway to provide access to higher-margin diamond zones in early Q3 2019
- Support from major shareholders for refinancing of corporate debt raised for development of Mothae

Lulo alluvial mine and kimberlite project, Angola:

- Sales of US\$10.0m, resulting in an H1 2019 total of US\$22.1m at an exceptional average price of US\$3,668/carats. Next sale scheduled for July 2019
- Recovery of 13th +100 carat diamond - 130 carats
- Cash operating costs of US\$76/m³ in line with plan
- EBITDA of US\$11.3m for H1 2019³
- Arrival on site of extensive new earthmoving fleet to expand production and cash flows
- Launch of next kimberlite exploration phase following extensive technical review
- Value-adding strategy launched with first diamonds sold into cutting & polishing agreement

³ On an unreviewed basis, subject to finalisation and review of half year accounts by the company's auditors

INTRODUCTION

Lucapa is a growing diamond company with high-value mines in Lesotho (Mothae) and Angola (Lulo), where the Company is also exploring a highly-prospective kimberlite field.

Lucapa's vision is to become a leading global producer of premium-quality diamonds from alluvial and kimberlite sources.

Mothae and Lulo produce large and high-value diamonds, with >75% of revenues from both mines generated from the recovery of +4.8 carat stones.

Lucapa's Board and management team have decades of global experience across all facets of the diamond industry with companies including De Beers and Gem Diamonds.



White and fancy-coloured diamonds from Mothae



Diamonds from the unsold inventory at the end of the Quarter (left to right): 46 carat Lulo pink, 130 carat Lulo diamond and 126 carat Mothae diamond

Mothae kimberlite mine, Lesotho

(Mothae Diamonds (Pty) Ltd - Lucapa 70%; Government of the Kingdom of Lesotho 30%)

Mining and operations

Diamond mining and processing operations continued to perform ahead of plan at Mothae in just its second quarter of operations, even though mining was restricted predominantly to the lower-margin sections of the kimberlite pipe, including the northern and neck zones.

Mothae produced 6,349 carats in the Quarter for an H1 2019 total of 13,267 carats, 36% ahead of H1 2019 plan. This was due to the efficiency of the new 1.1 Mtpa plant and higher-than-planned recovered grades from weathered material of 2.39 carats per 100 tonnes (“cpht”) for the Quarter and 2.42 cpht for H1 2019 (Table 1).

Large diamond recoveries during the Quarter included two +50 carat stones, including a 126 carat diamond, the largest gem-quality recovery from Mothae to date. Like the Lulo mine, production from Mothae included rare Type IIa diamonds, as well as Type IIb diamonds.

MOTHAE JUNE QUARTER AND H1 2019 PRODUCTION				
	Q1	Q2	H1	H1 Var to Plan
Tonnes treated	283,042	265,408	548,450	9%
Carats recovered	6,918	6,349	13,267	36%
Recovered grade (cpht)	2.44	2.39	2.42	25%
+4.8 carat diamonds recovered	138	91	229	-
Closing diamond inventories (carats)	4,552	3,855	3,855	-

Table 1: Mothae diamond mining and recovery results for the Quarter and H1 2019

Cash operating costs for H1 2019 were US\$12.56/tonne, 14% better than plan. This, combined with the H1 sales and closing inventories, delivered positive earnings before interest, tax, depreciation and amortisation (“EBITDA”) of M15.5m⁴ (US\$1.1m) for H1 2019, despite mining being restricted predominantly to the lower-margin zones as referred to above.

Mining is on track to transition to the higher-margin diamond zones in the southern pit following further good progress made during the Quarter in raising the wall of the new main 500,000m³ water dam (“Dam 4”) (Figure 2).

The increased height of the dam wall has enabled the dewatering of the southern pit to commence, with this water being pumped into Dam 4 for storage and later use in the processing plant (Figure 1).

As a result, mining and processing of higher-margin kimberlite material from the southern pit will commence early in Q3 2019 and continue throughout 2019.

⁴ On an unreviewed basis, subject to finalisation and review of half year accounts by the company’s auditors. As per footnote 5, EBITDA has been amended for pre-production revenues allocated to the development asset



Figures 1 and 2: Water stored in the southern pit (above) being pumped to the new Dam 4 (below) which will enable access to higher-margin diamond zones in Q3 2019



Sales

The second tender of run of mine Mothae diamonds was completed in Antwerp during the Quarter (Refer ASX announcement 29 May 2019).

The parcel of 7,008 carats of carats of rough diamonds sold for US\$3.5 million (A\$5.0 million). The tender included prices of up to US\$26,000 per carat paid for individual Mothae gems.

The sale brought to US\$7.3 million (A\$10.5 million) the total sale proceeds generated from the two tenders of Mothae diamonds completed in H1 2019⁵. This represents an average overall price of US\$588 per carat for the entire run of mine production or US\$729 per carat for diamonds in the +11 sieve size fraction⁶.

Mothae had a closing diamond inventory of 3,855 carats at the end of the Quarter, including the 126 carat diamond. The next sale of Mothae diamonds is scheduled for July 2019 in Antwerp (Figure 3), with a further export of diamonds for tender to commence late in Q3 2019.

In total, three Mothae diamond sales are scheduled for H2 2019, compared to two sales in H1 2019.



Figure 3: Mothae diamonds in the unsold inventory which will be included in the next tender scheduled for July 2019 (126 carat diamond centred)

⁵ The total sale proceeds of US\$7.3 million (A\$10.5 million) includes US\$1.5 million (A\$2.2 million) relating to diamonds recovered during the pre-production phase and which under International Financial Reporting Standards (“IFRS”) are to be recognised as a reduction in the development asset and not in 2019 revenue.

⁶ As detailed in the ASX announcement of 27 February 2019, the efficiency of the new Mothae plant in treating the near surface weathered material has resulted in the liberation of additional diamonds, primarily small stones below the plant’s 3mm bottom cut-off screen size. These additional diamonds are in the -11 and below sieve size fractions. While these diamonds generate additional value, they also reduce the overall average US\$ per carat price.

Lulo alluvial mine, Angola

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

Mining and operations

Mining during the Quarter continued predominantly in areas which, while producing lower grades and volumes, delivered higher diamond values (Refer Sales section).

A total of 3,868 carats were produced for the Quarter by SML, taking H1 2019 production to 7,236 carats (Refer Table 2). The largest of the 124 +4.8 carat diamonds recovered during the Quarter was a gem-quality 130 carat stone – the 13th +100 carat diamond recovered from Lulo to date.

Cash operating costs for H1 2019 were in line with plan at US\$76/m³. This, combined with H1 sales and inventories, delivered SML an EBITDA result of US\$11.3m for H1 2019⁷.

As the dry season commenced, mining has moved to flood plain blocks which are producing average grades of more than twice those achieved during the Quarter.

Production for Q3 2019 and thereafter will also be boosted by a new fleet of Volvo and Caterpillar earthmoving equipment, comprising six excavators, eight trucks and three bulldozers. This new fleet of earthmoving equipment has started arriving on site at Lulo (Figure 4).

The new fleet is part of the SML-funded US\$12 million expansion of alluvial mining operations to increase annualised throughput to 450,000 bulk cubic metres ("bcm").

As previously advised, this expansion is designed to increase SML's diamond production and cash generation, which will in turn accelerate loan repayments to Lucapa and distributions to the Lulo partners.



Figure 4: New earthmoving fleet arriving on site at Lulo

⁷ On an unreviewed basis, subject to finalisation and review of half year accounts by the company's auditors.

LULO JUNE QUARTER AND H1 2019 PRODUCTION					
	Q2 18	H1 18	Q2 19	H1 19	Q2 19 Var to Q2 18
Treated m³ (bulked)	72,671	134,540	68,604	141,861	-6%
Carats recovered	5,058	9,566	3,868	7,236	-24%
Recovered grade (cphm³)	7.0	7.1	5.6	5.1	-20%
+4.8ct diamonds recovered	185	359	124	216	-33%
+10.8ct diamonds (Specials)	60	118	45	76	-25%
Closing inventories (carats)	2,755	2,755	3,147	3,147	14%

Table 2: SML diamond mining and processing results for the Quarter, H1 2019 and comparative periods

SML held a diamond inventory of 3,147 carats at the end of the Quarter, which included the 130 carat diamond and 46 carat pink. The next tender of Lulo diamonds is scheduled for July 2019.

Sales

SML completed the sale of 5,573 carats of run of mine Lulo diamonds during the Quarter for gross revenues of US\$10.0 million (A\$14.5 million), representing an average price per carat of US\$1,800 (Figure 5).

This took total H1 2019 sales to US\$22.1 million (A\$31.1 million), at an exceptional average price per carat of US\$3,668, further underlining Lulo's status as the world's highest average price alluvial diamond production (Table 3).

The sale completed during the Quarter also marked the launch of Lucapa's diamond value-adding strategy, which aims to generate additional profits for Lulo production beyond the mine gate. Lucapa and its Lulo partners expect to announce further details relating to this cutting & polishing agreement in Q3 2019.

SML will, in its own right, also export the 46 carat pink diamond held in inventory in Q3 2019 for cutting & polishing to maximise revenues.

LULO JUNE QUARTER AND H1 2019 SALES					
	Q2 18	H1 18	Q2 19	H1 19	Q2 19 Var to Q2 18
Sales (carats)	3,413	9,656	5,573	6,024	63%
Sales (US\$)	US\$5.0m	US\$15.9m	US\$10.0m	US\$22.1m	99%
Price per carat	US\$1,479	US\$1,642	US\$1,800	US\$3,668	22%

Table 3: SML diamond sales for the Quarter, H1 2019 and comparative periods



Figure 5: Run of mine Lulo production sold during the Quarter

Kimberlite exploration

(Project Lulo – Lucapa 39% JV partner and operator)

During the Quarter, Lucapa and its partners signed-off and launched the next kimberlite exploration phase at Lulo to locate the hard-rock sources of the high-value alluvial diamonds.

As announced to the ASX on 6 June 2019, the new program was based on an extensive technical review of all Lulo kimberlite exploration results to date, including those from the extensive 2018 drilling program which increased to more than 100 the total known kimberlites within the 3,000km² concession.

This technical review included input from some of the world’s leading independent diamond consultants.

Key features included:

- An extensive stream sampling program in which 5,000m³ bulk samples of alluvial gravels will be excavated and processed from six major tributaries feeding from high-interest areas into the Cacuilo River upstream of Mining Blocks 8 and 6, where some of the largest and most valuable alluvial diamonds have been recovered at Lulo (Figure 6);
- Follow-up delineation drilling of 16 Lulo kimberlite pipes rated most prospective to host diamonds. This drilling will help define the structure and surface area of each pipe, including surface volcanoclastic kimberlite material for later bulk sampling (Figure 7); and
- Drilling eight additional kimberlite targets highlighted in the technical review based on various factors, including anomalies demonstrating reversely polarised magnetic signatures, indicating a different intrusion age to the other Lulo kimberlites (Figure 8).

This work is scheduled to be completed over 12 months at a budgeted cost of US\$3.3 million. As in the past, Lucapa will fund the exploration costs from a portion of its returns from Lulo alluvial mining company SML. Exploration programs thereafter will be results-driven.

The delineation drilling program commenced at the L14 kimberlite pipe upstream of Mining Block 8 and is continuing. Mapping of target areas for the bulk stream sampling of tributaries, and development of access roads, is continuing ahead of auger drilling to define gravel deposits to test for diamonds.

In addition, 12 heavy mineral stream samples have been taken near the northern watershed of the Caculo valley to assist with mapping of the heavy mineral inputs into the Caculo tributaries.

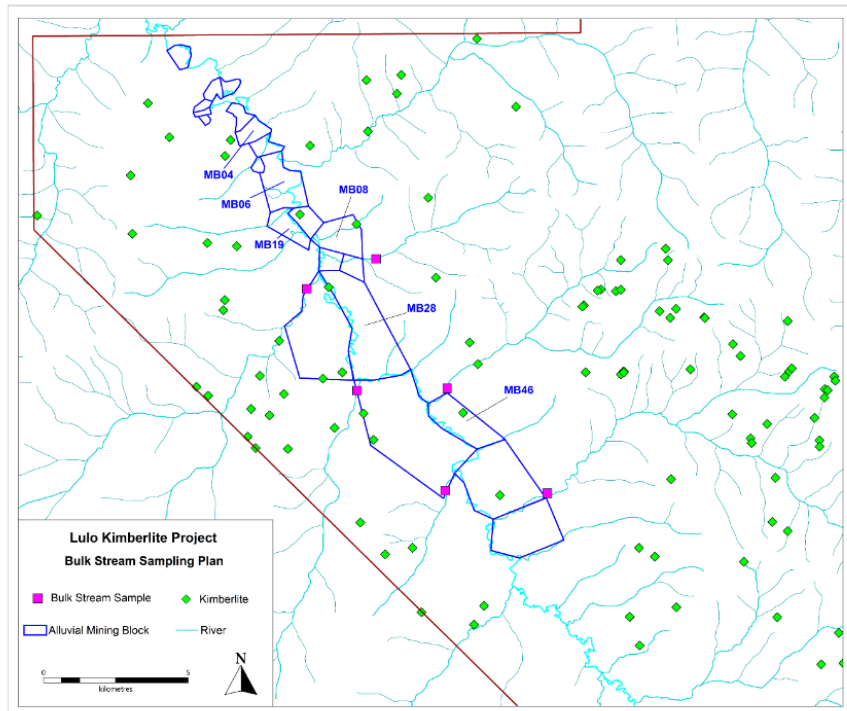


Figure 6: Location of the six stream bulk sampling sites and identified kimberlites within the Caculo valley catchment area

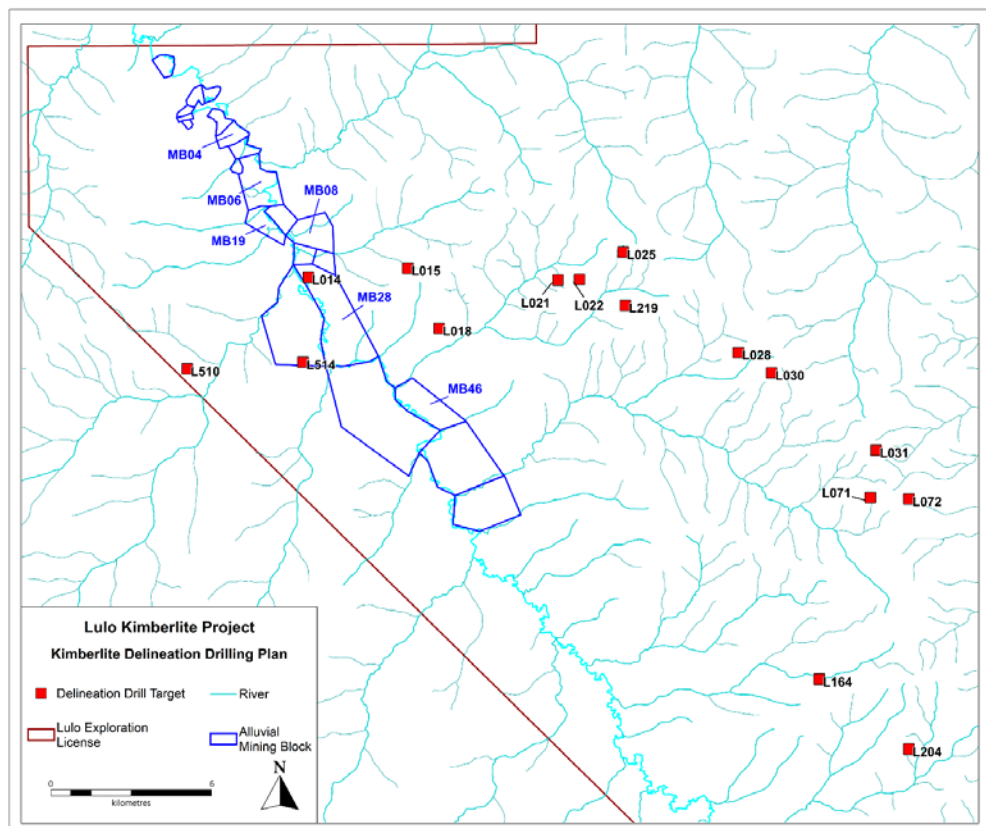


Figure 7: Location of the 16 kimberlites prioritised for delineation drilling

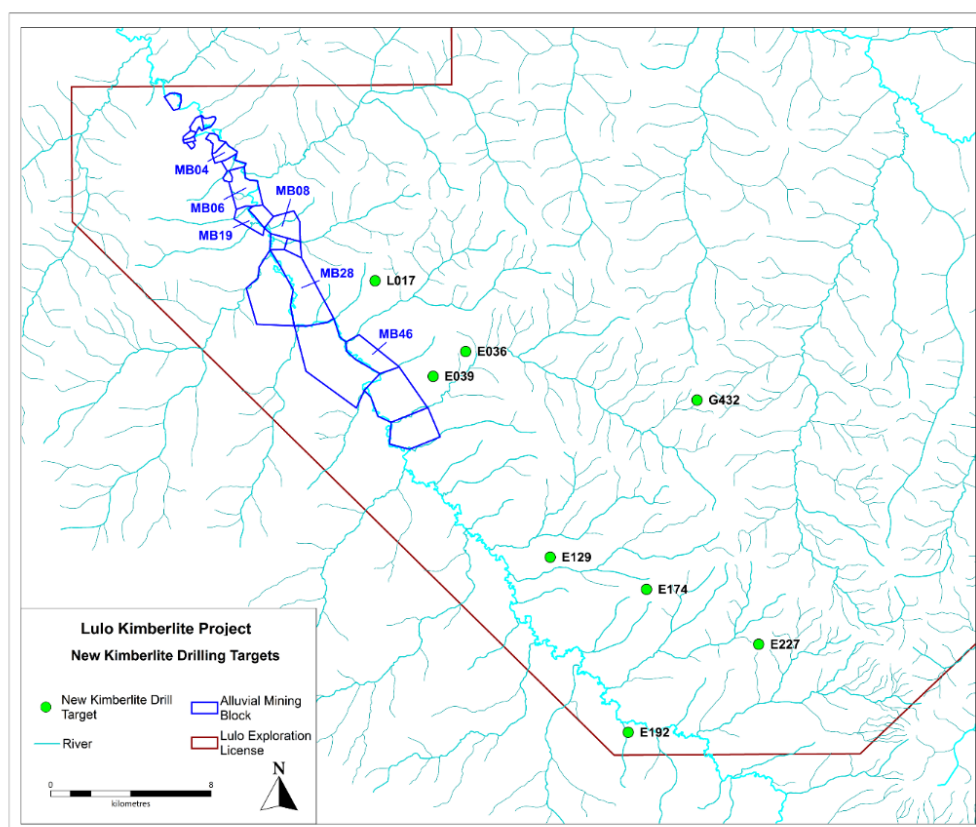


Figure 8: Location of the eight new kimberlite targets highlighted for drilling

During the Quarter, Lucapa received the remaining mineral chemistry results from kimberlite core samples submitted for laboratory analysis from the 2018 drilling program (Refer Appendix 1).

Grains classified as diamond-associated were recovered from two additional kimberlites - L028 and L124. Kimberlite L028 was already part of the delineation drilling program and kimberlite L124 will be added.

Brooking, Western Australia

(Brooking Diamonds (Pty) Ltd - Lucapa 100% - tenements 80% Lucapa; 20% Leopold Diamond Company)

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

No exploration was conducted at Brooking during the Quarter. As previously advised, Lucapa and its partners continue to review the timing and scope of future exploration programs at Brooking in line with the Company's focus on revenue generation at its operating mines.

Orapa Area F, Botswana

(Lucapa Diamonds (Botswana) Pty Ltd - Lucapa 100% subsidiary)

Orapa Area F is ~40km east of the prolific Orapa diamond mine in Botswana. Previous exploration programs completed by Lucapa at Orapa Area F were successful in defining kimberlite drilling targets.

No exploration was conducted at Orapa Area F during the Quarter. As per Brooking above, Lucapa is reviewing the scope and timing of future exploration programs at Orapa Area F.

Corporate

At Quarter end, Lucapa had a group cash balance of US\$5.2 million, while Lulo mining company SML (which is treated as an associate and not consolidated into Lucapa's accounts in accordance with IFRS) held US\$9 million in cash and equivalents.

In addition, Mothae held 3,855 carats in inventory at Quarter end and SML held 3,147 carats. The next diamond sales from both mines are scheduled for July 2019.

During the Quarter, Lucapa refinanced its Mothae project funding under agreements with New Azilian Pty Ltd ("New Azilian") and Equigold Pte Ltd ("Equigold"), which are the Company's two biggest shareholders respectively.

The refinancing was designed to improve Lucapa's financial position and reduce its funding costs, while also providing flexibility on the scheduling of future Mothae diamond tenders to maximise diamond sales revenues. These refinancing arrangements also reflected the de-risking of Mothae, which has now been in commercial production for six months.

Under the agreements, which were ratified by shareholders at the Company's AGM on 27 May 2019, New Azilian provided Lucapa with a A\$10 million (US\$7 million) one-year loan facility at an annual interest rate of 10%, payable quarterly.

Lucapa utilised the New Azilian facility to pay three instalments of the Mothae acquisition and pre-pay two quarterly US\$1.9 million capital repayments on the existing Equigold debt facility, with Equigold waiving its right to early settlement fees. In addition, Equigold and Lucapa agreed to bring forward the right under the loan agreement for Equigold to convert a US\$1.9 million quarterly capital repayment into ordinary fully-paid Lucapa shares, the net effect being a reduction in the Equigold debt facility to US\$7.5 million at Quarter end (Refer ASX announcements 4 April 2019).

New Azilian (a company associated with non-executive Director Mr Ross Stanley) and Equigold (a company associated with Mr Simon Lee AO) increased their shareholdings in the Company during the Quarter to 8.5% and 7.7% respectively.

During the Quarter a total of 3,425,000 unlisted \$0.53 options expired without exercise.

For and on behalf of the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

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.

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 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.

Schedule of Tenements as at 30 June 2019					
Country	Type	Size (km²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	5 years	39	Apr-23
Angola	Mining (secondary) and Exploration Alluvial	1,500	10 years	40	Jul-25
Lesotho	Mining Licence	47 ¹	10 years	70	Jan-27
Botswana	Reconnaissance	8	2 years	100	Sep-20
Australia	Exploration Licence	72	5 years	80	Dec-20
Australia	Exploration Licence	13	5 years	80	Mar-24
Australia	Exploration Licence	29	5 years	80	Jun-22
Australia	Exploration Licence	3	5 years	80	Jun-23

¹ Includes protection area

Appendix 1
Reporting of kimberlite exploration results for the Lulo Project
- JORC Code (2012) requirements -
Section 1: Sampling Techniques and Data

Criteria	JORC Code Explanation	Lucapa Commentary
Sampling techniques	<ul style="list-style-type: none"> • <i>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.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • Drilling was undertaken using a combination of a contract wireline rig provided by Rosanstroi and a Hanjin wireline coring rig owned and operated by the company. • The Rosanstroi rig has drilled both PQ and 112mm hole/96mm core diameters. • The Hanjin rig drills HQ diameter core.
Drilling techniques	<ul style="list-style-type: none"> • <i>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.).</i> 	<ul style="list-style-type: none"> • The drilling to date has consisted of diamond core drilling.
Drill sample recovery	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • 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.
Logging	<ul style="list-style-type: none"> • <i>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.</i> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<ul style="list-style-type: none"> • All core is visually, semi-quantitatively logged and photographed at the operation's core shed.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>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.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>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.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • 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 Na₂O concentration in garnet, the mineral compositions were quantified by energy dispersive spectrometry using an Oxford Instruments® X-Max 20mm² 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. • Na₂O 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	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other</i> 	<ul style="list-style-type: none"> • Drill sites are 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.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
	<p><i>locations used in Mineral Resource estimation.</i></p> <ul style="list-style-type: none"> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> • The grid system is WGS84 Zone 34L.
Data spacing and distribution	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>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.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • 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 using a procedure recommended by an independent consultant specialising in kimberlite sampling.

Section 2: Reporting of Exploration Results

Criteria	JORC Code Explanation	Lucapa Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • 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

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
		<p>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%.</p> <ul style="list-style-type: none"> • 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; a new Mineral Investment Contract was subsequently gazetted and expires 30 April 2023. • 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	<ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • 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 and Karoo age sediments within the Lucapa Graben. The kimberlite field is believed to be the source of the alluvial diamonds.
Drill hole Information	<ul style="list-style-type: none"> • <i>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:</i> <ul style="list-style-type: none"> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level - elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth hole length.</i> ○ <i>If the exclusion of this information is justified on the basis that the</i> 	<ul style="list-style-type: none"> • Drill hole collar information of the new drill holes reported is tabulated as Table 2: • Intercept information is not presented here.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
	<i>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.</i>	
Data aggregation methods	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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'). 	<ul style="list-style-type: none"> • The deposits may be regarded as massive deposits so drill hole orientation is not relevant.
Diagrams	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Appropriate map and plans for the reported mineralisation with scale and north points are included with the text of the report.
Balanced reporting	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Results reported are complete.
Other substantive exploration data	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Other targets have been drilled and sampled based on the aeromagnetic surveys conducted in 2008 and 2013, as well as a TDEM survey carried out in 2017.
Further work	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
	<i>drilling areas, provided this information is not commercially sensitive.</i>	analysis.

Section 3 (Resources): Does not apply to this announcement

Section 4 (Reserves): Does not apply to this announcement

Section 5: Estimation and Reporting of Diamonds and Other Gemstones

Criteria	JORC Code Explanation	Lucapa Commentary
Indicator minerals	<ul style="list-style-type: none"> • <i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i> 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>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.</i> 	<ul style="list-style-type: none"> • No diamonds were recovered.
Sample collection	<ul style="list-style-type: none"> • <i>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).</i> • <i>Sample size, distribution and representivity.</i> 	<ul style="list-style-type: none"> • 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 purpose of this sampling is to recover indicator minerals to be analysed for mineral chemistry, which assist in prioritising further work based on diamond association of the minerals. • The sample size, distribution and representivity are appropriate for this activity.
Sample treatment	<ul style="list-style-type: none"> • <i>Type of facility, treatment rate, and accreditation.</i> • <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i> • <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc.).</i> • <i>Process efficiency, tailings auditing and granulometry.</i> • <i>Laboratory used type of process for micro diamonds and accreditation.</i> 	<ul style="list-style-type: none"> • 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.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
		<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • <i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i> 	<ul style="list-style-type: none"> • Reported as carats.
Sample grade	<ul style="list-style-type: none"> • <i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i> • <i>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.</i> • <i>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).</i> 	<ul style="list-style-type: none"> • No sample grades are reported in this announcement.
Reporting of Exploration Results	<ul style="list-style-type: none"> • <i>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.</i> • <i>Sample density determination.</i> • <i>Per cent concentrate and undersize per sample.</i> • <i>Sample grade with change in bottom cut-off screen size.</i> • <i>Adjustments made to size distribution for sample plant performance and performance on a commercial scale.</i> • <i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • No diamonds were recovered.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
Grade estimation for reporting Mineral Resources and Ore Reserves	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • No diamond resources are reported. • No diamond reserves are reported.
Value estimation	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ 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. 	<ul style="list-style-type: none"> • No diamond value estimates are reported.
Security and integrity	<ul style="list-style-type: none"> • 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 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. 	<ul style="list-style-type: none"> • There has been no accredited process audit. • Samples were sealed in the presence of mine security personnel and Angolan State diamond security personnel. • Microdiamonds were not processed. • No audit samples were collected because of the nature of the samples. • Tailings have not been checked for diamonds or 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • No resource is classified in this report.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Criteria	JORC Code Explanation	Lucapa Commentary
	<i>estimates should be considered, and classification developed accordingly.</i>	

Table 4: Lulo kimberlite delineation drilling – Drill collar details

HOLE-ID	Drilling type	Easting	Northing	Elevation	Dip	Azi	Total Depth
HJ/014/05	Core	264,555	8,938,366	996.00	-55	286	111.54
HJ/014/06	Core	264,320	8,938,756	994.67	-90	0	81.74
HJ/014/07	Core	264,556	8,938,367	996.00	-60	286	111.54
HJ/014/08	Core	264,327	8,938,758	995.26	-60	270	102.54
HJ/014/09	Core	264,350	8,938,575	993.05	-60	225	102.64
HJ/014/10	Core	264,440	8,938,580	995.11	-60	180	102.64
HJ/014/11	Core	264,310	8,938,590	991.85	-60	192	105.64