



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2020

Lucapa Diamond Company Limited (ASX: **LOM**) (“Lucapa” or “the Company”) presents its activities report and results for the Quarter ending 30 June 2020 (the “Quarter” or “Q2 20”).

Lucapa’s operational highlights for the Quarter include:

- **Delineation drilling at Lulo kimberlite L071 completed and bulk sampling commenced**
- **Delineation drilling at Lulo kimberlite L072 commenced**
- **SML commenced staged ramping of alluvial diamond production back to full capacity**
- **15th +100 carat diamond recovered by SML**
- **Lulo higher-grade alluvial deposit identified at Mining Block 06**
- **Completion of two diamond sales by SML and Mothae, realising US\$4.0m (A\$6.1m) at an average of US\$546 (A\$833)/ carat**
- **Successful rights issue completed by Lucapa raising A\$5.2m (before costs)**

DIAMOND PRODUCTION & SALES¹			
JUNE 2020 QUARTER			
	Mothae²	Lulo³	Q2 20 Total
Tonnes processed	-	86,324*	86,324
Carats recovered	-	2,944	2,944
+4.8 carat diamonds recovered	-	86	86
+10.8 carat diamonds (Specials) recovered	-	30	30
Rough diamond sales (US\$m)	2.0	2.0	4.0
Rough price per carat (US\$)	505	594	546

¹ On a 100% basis; ² 70% Mothae subsidiary; ³ 40% SML associate.

*Converted from bulk cubic metres to tonnes

SML’s operations were slowed very early in the Quarter to essential operations as a result of the COVID-19 pandemic, but due to the easing of certain restrictions during the Quarter, SML was able to bring production back to ~50% capacity in May 2020. SML has since commenced a staged ramp up back to full production capacity.

Kimberlite exploration at Lulo continued during the Quarter with delineation drilling at L071 being completed and commencing the planned bulk sampling campaign. The first kimberlite bulk sample was excavated towards the end of June, with processing planned for the third quarter.

Due to the COVID-19 restrictions impacting on the health & safety and movement of personnel as well as critical mine supplies, operations were suspended at the Mothae kimberlite mine in March 2020. Lucapa and Mothae have been investigating a number of options to re-start the Mothae mine. The Company will update the market on the conclusion of this workstream and looks forward to re-commencing operations as pandemic and market constraints allow.

LULO, ANGOLA

KIMBERLITE EXPLORATION

(Project Lulo – Lucapa 39% JV partner and operator, Endiama 51% and Rosas & Petalas 10%)

As set out in the ASX announcement of 23 March 2020, the Canguige catchment area became the focus of the Lulo kimberlite exploration program following the recovery of 45 diamonds of up to 3.75 carats from a stream sample taken from the Canguige tributary.

The L071 and L072 kimberlites were in a group of 5 kimberlites in the Canguige catchment “top-rated” during the kimberlite review compiled in 2019 and have been the focus due to their proximity to the main tar road and its relatively dry ground conditions enabling better access following a prolonged Angolan wet season.

Delineation drilling during the Quarter focused on the L071 and L072 kimberlites. 42 holes were completed for a total of 1,424m, to identify volcanoclastic kimberlite (“VK”) material, to define their structure and surface area and to locate the most suitable sites to take bulk samples. VK material was identified at both kimberlites.

Excavation of two ~2,000 tonne VK bulk samples at L071 has now commenced at the selected sites (Refer ASX announcement 26 June 2020). Transport of the VK material from one of the sites to a proximal sample stockpile area close to the tar road has been completed. A transport contractor has been engaged to move the samples to the Lulo plant.

As a result of the low-grade (low diamond count per tonne/ cubic metre) and high-value environment in the Cacuilu valley of the greater Lulo concession, recovery expectations from any potential source kimberlite will be for similar low-grade and high-value diamonds.

The systematic drilling and bulk sampling of the 5 most prospective kimberlites within the Canguige catchment area (Figure 1) and the other 11 most prospective kimberlites in the wider Canguige valley will continue throughout 2020 and into 2021.

Additional follow-up stream bulk samples are being planned for the Canguige catchment area and the bulk sampling of other tributaries to the Cacuilu river will continue. Gravel has been defined in the Xangando drainage which will be further investigated through drilling and pitting in preparation for sample excavation.



Kimberlite excavation activities at Lulo kimberlite L071



First bulk sampling site at Lulo kimberlite L071

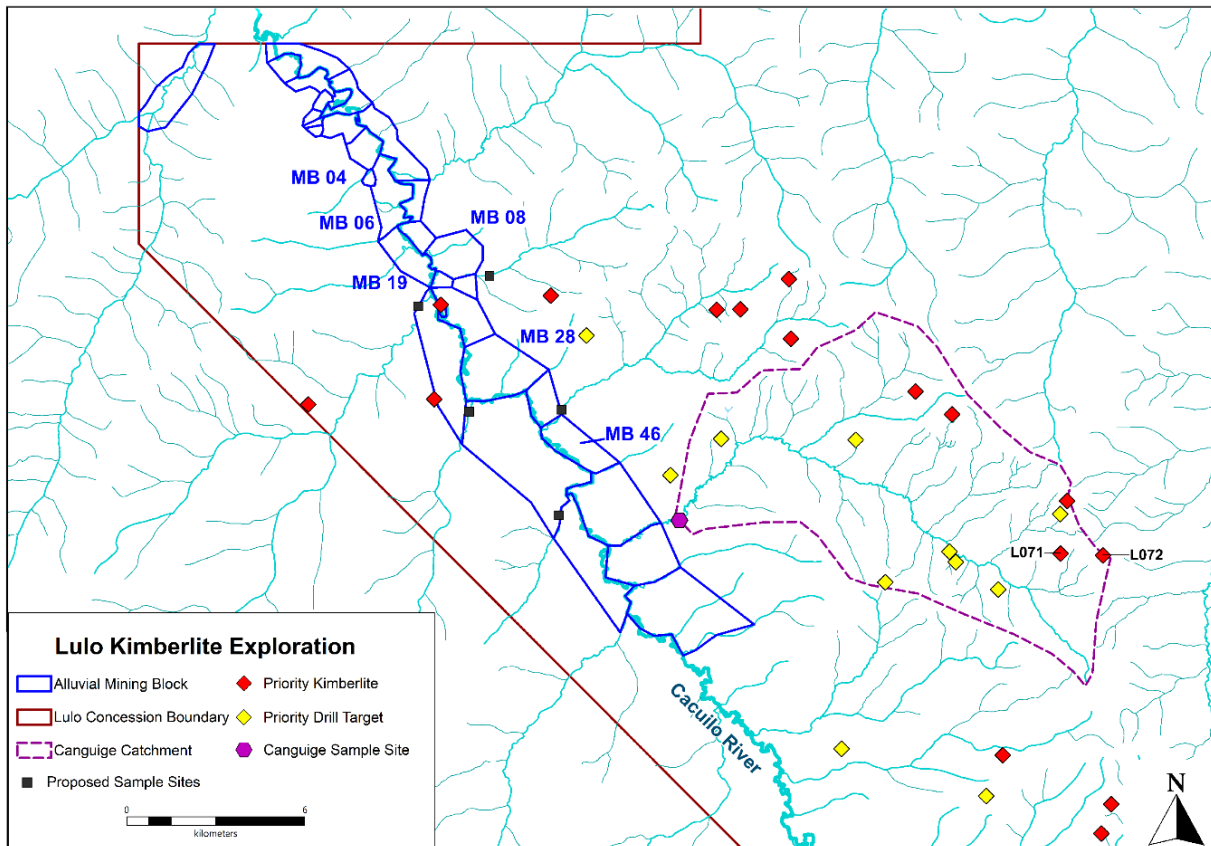


Figure 1: Location of the 16 Lulo kimberlite pipes rated most prospective to host diamonds, 8 additional anomalies to be drilled and the 6 tributary sampling sites

Kimberlite licence

During the Quarter, Lucapa continued discussions with the Angolan Ministry of Mineral Resources and Petroleum and Angola's national diamond company Endiama E.P. to further securing a majority stake in the Project Lulo joint venture, which holds the primary (kimberlite) exploration licence for the 3,000km² Lulo diamond concession. The progress of those discussions has been impacted by the COVID-19 pandemic restrictions but will be resumed as soon as travel restrictions are eased.

ALLUVIAL MINING

(Sociedade Mineira Do Lulo ("SML") - Lucapa 40% associate and operator, Endiama 32% and Rosas & Petalas 28%)

Mining operations

Volume processed and carats recovered during the Quarter were impacted by the State of Emergency implemented in Angola as a result of the COVID-19 pandemic, leading to a reduction in production compared to the corresponding quarter in 2019 (Table 3). A much improved third quarter is expected as Lulo ramped back to full production capacity at the end of the Quarter.

A total of 2,944 carats were produced during the Quarter and the diamond recoveries included 86 diamonds +4.8 carats, which in turn included 30 Specials.

The largest diamond recovered during the Quarter was a 171 carat gem-quality stone recovered from Mining Block 06. This was the 15th +100 carat diamond recovered to date (Refer ASX announcement 11 May 2020).

SML JUNE 2020 QUARTER PRODUCTION RESULTS			
	Q2 19	Q2 20	Var Q2 20 to Q2 19
Volume processed (m³ bulked)	68,604	50,779	-26%
Carats recovered	3,868	2,944	-24%
Grade recovered (cphm³)	5.6	5.8	3%
+4.8ct diamonds recovered	124	86	-31%
+10.8ct diamonds (Specials) recovered	45	30	-33%
Closing diamond inventories (carats)	3,147	2,647	-16%

Table 3: SML treatment and recovery results

Alluvial resource

Although slowed by the COVID-19 pandemic, SML auger drilling programs continued to delineate additional alluvial diamond-bearing gravels during the Quarter, in both the terraces and flood plain (leziria) areas along the Caculo River.

During the Quarter 814 auger holes were completed for a total of 7,731m.

The high-interest leziria areas became more accessible as ground conditions dried and improved during the Quarter following the end of the wet season. This led to the discovery and delineation of new extensive gravel deposits within the Mining Block 06 leziria area, which returned a high average grade of 17.5cphm³ when the gravel was mined and treated towards the end of the Quarter.



171 carat Lulo gem-quality diamond recovered by SML during the Quarter



Selection of +10.8ct stones (Specials) recovered from the new MB06 leziria area
(clockwise from top left - 42 carat, 11 carat, 39 carat, 13 carat and 12 carat)

Diamond Sales

SML completed the sale of 3,346 carats of diamonds during the Quarter for gross revenues of US\$2.0m (A\$2.9m) achieving an average price per carat of US\$594 (A\$861)/ carat (Table 4). The diamonds were sold into the cutting and polishing partnership with SML’s preferred buyer (refer below).

Total sales year to date totalled 6,164 carats for US\$9.8m (A\$14.9m) or US\$1,583 (A\$2,419)/ carat.

SML DIAMOND SALES			
	Q2 19	Q2 20	Var Q2 20 to Q2 19
Rough carats sold	5,573	3,346	-40%
Rough diamond sales (US\$m)	10.0	2.0	-80%
Rough price per carat (US\$)	1,799	594	-67%

Table 4: SML sales of Lulo alluvial diamonds

Lulo held a diamond inventory of 2,647 carats at the end of the Quarter, including a number of Special high quality stones.



Selection of diamonds recovered during the Quarter from MB08 and MB06 (from left - 77 carat, 11 carat, 65 carat and 55 carat)

Cutting and polishing partnership

The 3,346 carat parcel of Lulo diamonds was sold by SML into the cutting & polishing partnership with leading international manufacturing group Safdico International (“Safdico”), a subsidiary of Graff International, one of the world’s finest high-end jewellery houses.

Under this partnership agreement SML is paid the full rough market value of the diamonds and shares in a significant portion of polished margins generated thereafter.

MOTHAE KIMBERLITE MINE, LESOTHO

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

Mining operations

Due to the ongoing impact of the COVID-19 pandemic on the operation, Mothae remained on care and maintenance for the whole Quarter.

As alluded to in the Q1 2020 quarterly (Refer ASX announcement 27 April 2020), Lucapa and Mothae management have during the care & maintenance period continued to investigate and scope opportunities to restart the Mothae mine as soon as possible. This modelling has included identifying low-cost modifications to the treatment plant that could see capacity increase by ~60% to 1.8Mtpa from the current nameplate capacity of 1.1Mtpa. The Company will update the market on the conclusion of this workstream and looks forward to re-commencing operations as pandemic and market constraints allow.

MOTHAE JUNE 2020 QUARTER PRODUCTION RESULTS			
	Q2 19	Q2 20	Var Q2 20 to Q2 19
Tonnes processed	265,408	-	-100%
Carats recovered	6,349	-	-100%
Grade recovered (cpht)	2.4	-	-100%
+4.8ct diamonds recovered	91	-	-100%
+10.8ct diamonds (Specials) recovered	18	-	-100%
Closing diamond inventories (carats)	3,855	784	-81%

Table 5: Mothae treatment and recovery results

Diamond Sales

A total of 3,962 carats of Mothae diamonds were sold into a cutting and polishing partnership (refer below) during the Quarter for gross sale proceeds of US\$2.0m (A\$3.2m), representing an average price of US\$505 (A\$809)/ carat (Table 6).

Total sales year to date totalled 10,268 carats for US\$4.1m (A\$6.4m) or US\$402 (A\$623)/ carat.

MOTHAE DIAMOND SALES			
	Q2 19	Q2 20	Var Q2 19 to Q2 18
Rough carats sold	7,008	3,962	-43%
Rough diamond sales (US\$m)	3.5	2.0	-42%
Rough price per carat (US\$)	495	505	2%

Table 6: Mothae diamond sales

Mothae held a diamond inventory of 784 carats at the end of the Quarter.

Due to the impact of COVID-19 on international travel and the inability to sell diamonds through the regular tender channel in Belgium during the Quarter, Mothae accessed alternate sales solutions.

Cutting and polishing partnership

Mothae sold its first full parcel of 3,962 carats into a cutting and polishing partnership with a high-end diamantaire during the Quarter (Refer ASX announcement 14 April 2020).

Under this partnership agreement Mothae is paid the full rough market value of the diamonds and shares in a significant portion of polished margins generated thereafter.

OTHER PROJECTS

No work was undertaken at the Brooking (Western Australia) or Orapa Area F (Botswana) lamproite and kimberlite exploration projects during the Quarter, in line with Lucapa's focus on maximising revenue generation at its operating mines as a primary objective and the more recent cash preservation measures brought about by the COVID-19 pandemic.

CORPORATE

During the Quarter, Lucapa successfully completed the raise of A\$5.2m (before costs), via a non-renounceable pro-rata rights issue ("Rights Issue") (Refer ASX announcement 3 June 2020). The Rights Issue involved the issue of 105.1m shares and 113.1m listed \$0.10 options, expiring 2 years from the date of issue (ASX: LOMOC). The Directors took up their full entitlements under the Rights Issue, for which Far East Capital Limited acted as lead manager.

Proceeds from the Rights Issue will be used to advance the search for the primary kimberlite sources of the high-value Lulo alluvial diamonds, preserve mining assets suspended as a result of the COVID-19 pandemic and for general working capital purposes.

Significant overhead reductions continued during the Quarter at the Perth corporate office with executive directors, other staff and contractors taking a voluntary 60% cut to emoluments or fees until the end of the Quarter. The corporate staff level has been reduced and the non-executive directors have continued to waive their non-executive director's fees until further notice.

Lucapa's cash balance was US\$4.5m (A\$6.5m) at Quarter end and Mothae held 784 carats in diamond inventory. In addition, SML held a cash and receivables balance of US\$3.5m as well as a 2,647 carat diamond inventory at Quarter end.

Lucapa continues to explore refinancing solutions with a number of parties as well as existing financiers. Lucapa will update the market as these are concluded.

During the Quarter, 250,000 \$0.45 unlisted options exercisable on or before 24 May 2020, 2,250,000 \$0.46 unlisted options exercisable on or before 31 May 2020 and 62,500 Performance Rights exercisable on or before 31 May 2020 expired without exercise.

Subsequent to Quarter end, the Company allotted 10,431,284 fully paid ordinary shares pursuant to Conversion Notices to Equigold Pte Ltd ("Equigold") in respect of the quarterly interest and fees due in accordance with the terms of the Equigold loan facility (Refer ASX announcement 9 October 2017). Since inception, the outstanding principal has been reduced from US\$15.0m to US\$6.3m. This share issue increased Equigold's percentage ownership in the Company from 6.5% to 8.1%.

On 26 June 2020, the Company notified shareholders that it is convening its Annual General Meeting ("Meeting") to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 30 July 2020 at 11 am (WST).

The Company and the Board are acutely aware of the current circumstances resulting from the COVID-19 pandemic and the impact it is having, and is likely to continue to have, on physical meetings. Accordingly, the Board has made the decision that it will hold a physical Meeting with the appropriate social gathering and physical distancing measures in place to comply with the State and Federal Government's current restrictions for physical gatherings.

Due to the uncertainty and potential health risks posed by the COVID-19 pandemic, the Company encourages shareholders not to attend the meeting in person and participate in the Meeting via proxy voting and the ability to submit questions in advance of the Meeting which will be addressed at the Meeting.

The Company will provide further updates accordingly.

Authorised by 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.

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SCHEDULE OF TENEMENTS AS AT 30 JUNE 2020					
Country	Type	Size (km²)	Period	Interest (%)	End date
Angola	Kimberlite (primary) exploration	3,000	5 years	39	Apr-23
Angola	Alluvial (secondary) mining and exploration	1,500	10 years	40	Jul-25
Lesotho	Mining Licence	47*	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

Table 7: Schedule of tenements

* Area includes the protection and production area