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## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2018**

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### **LULO DIAMOND PROJECT, ANGOLA**

#### **Alluvial diamond production**

- 10% increase in quarterly diamond production to 4,507 carats
- 53% increase in number of Special diamonds recovered to 58. Includes two +100 carat stones, Type IIa D-colour white diamonds up to 85 carats in weight and a 43 carat yellow

#### **Cash generation**

- US\$10.8m gross sales revenues at US\$1,731 per carat
- US\$13.1m Quarter-end cash balance for Lulo mining company, *Sociedade Mineira Do Lulo* ("SML")
- SML closing diamond inventory of 3,047 carats

#### **Kimberlite exploration**

- Drilling of primary source kimberlite targets continued throughout the Angolan wet season
- Results from second batch of kimberlite core undergoing mineral chemistry analysis and micro-probing at Cape Town laboratory imminent. Further batches of kimberlite core already despatched to Cape Town for preparation and analysis

#### **New Angolan Government initiatives**

- The Angolan Government is considering new investment and diamond marketing policies to attract foreign direct investment
- Lucapa and Lulo well positioned to be first movers

### **MOTHAE KIMBERLITE MINE, LESOTHO**

- Construction of new 150 tonne per hour diamond plant with XRT large-diamond recovery technology continues on budget and on schedule for H2 2018 commissioning
- Plant components now being delivered to site
- Bulk sampling plant refurbished to commence treating 50,000 tonne samples from three areas of the kimberlite pipe with the aim of increasing the existing 1m+ carat JORC resource

### **BROOKING LAMPROITE DISCOVERY, WESTERN AUSTRALIA**

- Extensive drilling and exploration program to be launched to follow-up on the spectacular Little Spring Creek lamproite discovery, in which 119 diamonds, including whites and yellows, were recovered from the core of a drill hole on one target
- Program is fully-funded and will include multiple geophysical surveys, drilling, trenching and bulk sampling across multiple priority target areas at Brooking

### **LUCAPA, AUSTRALIA – CORPORATE**

- US\$6m (A\$7.8m) Lucapa Quarter-end cash balance
- Major backing and firm commitments received post-Quarter end from new and existing investors for a A\$16.5m placement
- Lucapa's financial position significantly strengthened

## 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 pricing remains robust.

Lucapa, with its respective project partners, continued to make significant advancements across its projects during the March 2018 Quarter, including:

- Mining large and premium-value diamonds at **Lulo**, delivering 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 mine incorporating a 150 tph production plant at the high-value **Mothae** kimberlite diamond project in Lesotho, while also running a bulk sampling program to increase the reported JORC resource
- Designing, and procuring funding for, an extensive follow-up exploration program at the **Brooking** project in the West Kimberley, where Lucapa has recovered significant concentrations of diamonds from lamproite material recovered in a drill hole at Little Spring Creek.



Selection of Lulo alluvial diamonds sold during the Quarter

**LULO DIAMOND PROJECT, ANGOLA**

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

SML continued to regularly produce large and premium-value diamonds throughout the Quarter. Recoveries included 58 Specials (diamonds weighing more than 10.8 carats) which is an increase of 53% on the previous corresponding quarter (Table 1).

The Special recoveries included two +100 carat diamonds (116 carats and 103 carats), taking to 10 the total number of +100 carat diamonds recovered to date from Lulo.

The most valuable premium-quality diamond recovered during the Quarter was an 85 carat Type IIa D-colour gem, while a 43 carat yellow diamond was the largest coloured gem-quality diamond recovered to date.

Overall diamond production for the Quarter was up 10% to 4,507 carats.

Diamond grade improved 26% to 7.3 carats per 100 cubic metres, though throughput was down by 13%, primarily a result of the extremely heavy rain that fell during this Angolan wet season, which generally finishes in April.



An 85 carat Type IIa D-colour diamond recovered at Lulo during the Quarter

	Q1 17	Q1 18	Var Q1 18 to Q1 17
<b>Treated m<sup>3</sup> (bulked)</b>	70,967	<b>61,869</b>	(13%)
<b>Carats Recovered</b>	4,098	<b>4,507</b>	10%
<b>Grade Recovered (cphm<sup>3</sup>)</b>	5.8	<b>7.3</b>	26%
<b>Ave Stone Size Recovered</b>	1.2	<b>1.7</b>	44%
<b>Specials Recovered</b>	38	<b>57</b>	53%
<b>Specials Carat Weight</b>	1,129	<b>1,426</b>	26%

Table 1: Lulo diamond production results for the Quarter with 2017 comparisons

**Alluvial Diamond Sales**

During the Quarter, SML sold two parcels of Lulo alluvial diamonds weighing 6,242 carats for gross proceeds of US\$10.8 million (A\$13.7 million). This represented an average price per carat of US\$1,731 (A\$2,200) (Table 2).

As at 31 March, SML had cash of US\$13.1 million and a diamond inventory of 3,047 carats, up 20% on the corresponding quarter.



Parcel of Lulo diamonds sold during the Quarter

	Q1 17	Q1 18	Var Q1 18 to Q1 17
<b>Actual Sales (carats)</b>	4,498	<b>6,242</b>	39%
<b>Actual Sales (US\$m)</b>	10.7	<b>10.8</b>	1%
<b>Actual Price/Carat (US\$)</b>	2,370	<b>1,731</b>	(27%)
<b>Diamond Inventory (carats)</b>	2,545	<b>3,047</b>	20%

Table 2: Lulo diamond sales figures for the Quarter with 2017 comparisons

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

The Lulo joint venture partners continued to advance their systematic kimberlite drilling program during the Quarter, despite the extremely wet and boggy ground conditions which made it difficult to move between drill targets.

This drilling program aims to identify the primary source(s) of the exceptional quality and size alluvial diamonds being recovered by SML at Lulo. The kimberlite targets being drilled were those defined following the Time Domain Electromagnetic ("TDEM") survey which was flown over the Caculo River valley region within the concession in 2017 (Refer ASX announcement 24 July 2017).

Recent drilling has focused on the Zavige cluster of kimberlite targets near the main alluvial mining blocks at Lulo, as well as targets further to the south-west in a region previously identified as an area of interest following soil and stream sampling (Refer ASX announcements 21 December 2015 and 24 July 2017).

Core samples from 10 Lulo kimberlites underwent mineral chemistry analysis and micro-probing in Cape Town, South Africa, during the Quarter. The laboratory results from this batch of core are expected very soon from consultants Remote Exploration Services and will be announced to the ASX when they come to hand.

Core from a further five Lulo kimberlites was exported to the Cape Town laboratory for analysis during the Quarter. In addition, a further batch of kimberlite core has been dispatched to Cape Town.

The Angolan wet season generally finishes in April and this should enable the kimberlite drilling program to be stepped up. The Lulo partners hope to complete drilling of the remaining identified targets by the end of 2018.

**Positive Discussions with the Angolan Government**

The new Angolan President, His Excellency Joao Lourenco, and the new Minister of Mineral Resources and Petroleum, the Honourable Diamantino Azevedo, recently set the country's diamond authority, Endiama EP, a goal of doubling Angola's diamond production to 14 million carats within four years. Endiama is one of Lucapa's Lulo partners.

To do so, President Lourenco has outlined to international media audiences how he believes this can be achieved through the design and implementation of more favourable investment and marketing policies to secure more foreign involvement in Angola's diamond sector.

During the Quarter, Lucapa was among the diamond companies invited by Minister Azevedo and Endiama to discuss these positive initiatives, which include majority ownership of projects, the ability to sell diamonds in international markets and a more streamlined approach to repatriating funds. As such, and in anticipation of a positive outcome, Lucapa and its local Angolan partners are devising a growth strategy at Lulo, to build on the successful alluvial mining operations and kimberlite exploration venture.

Lucapa has been operating successfully in Angola for 10 years and is well positioned to be a first mover to benefit from any positive changes to the investment landscape in Angola.

Lucapa has previously stated that a further distribution and loan repayment from alluvial mining company SML would be considered once SML's 2017 accounts had been finalised. In light of the positive discussions taking place between Lucapa and the Angolan Government, the Lucapa board believes it is prudent to defer such consideration until such time as these discussions have concluded.

## **MOTHAE DIAMOND PROJECT, LESOTHO**

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

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

As a result, the Phase 1 Mothae development – which involves a new 150 tph (90,000 tonnes per month) diamond treatment plant and XRT large-diamond recovery technology - remains on budget and on schedule for commissioning in H2 2018.

The Mothae kimberlite pipe is a high-quality 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, the majority of the earthworks were completed for the new 150 tph plant, enabling the civils to commence. Deliveries of plant steelwork and equipment have also now commenced, while the XRT large-diamond recovery unit will soon be trucked to site after arriving in South Africa from Germany.

Work also continued during the Quarter on the water management and tailings infrastructure with the existing water dam expansion completed, along with the design for the construction of an additional and larger water dam later this year.

Construction also continued on the coarse and fines tailings impoundment and tailings disposal. Progress was also made on upgrading other site infrastructure, including the camp facilities, fibre optic communications and security systems.

In parallel to these work streams, the existing plant infrastructure used in the previous bulk sampling and trial mining phase at Mothae was refurbished, with re-commissioning of this plant commencing during the Quarter.

After processing residual kimberlite material and non-resource stockpiles during the commissioning phase, the bulk sampling plant has been ramped up to desired capacity to commence processing 50,000 tonne samples from areas of the Mothae kimberlite pipe not fully included in the 1 million+ carat JORC resource due to insufficient or no historic bulk sampling. These areas include the Neck, South-East and North zones.



Site works/ civils for the new 150 tph Mothae diamond plant



DMS components for the new 150 tph Mothae diamond plant at the Lesotho border



DMS components being offloaded on site at Mothae



Steelwork for secondary crusher surge bin preassembled prior to transport to site



Primary crusher of the re-commissioned bulk sampling plant at Mothae



## BROOKING DIAMOND PROJECT, WESTERN AUSTRALIA

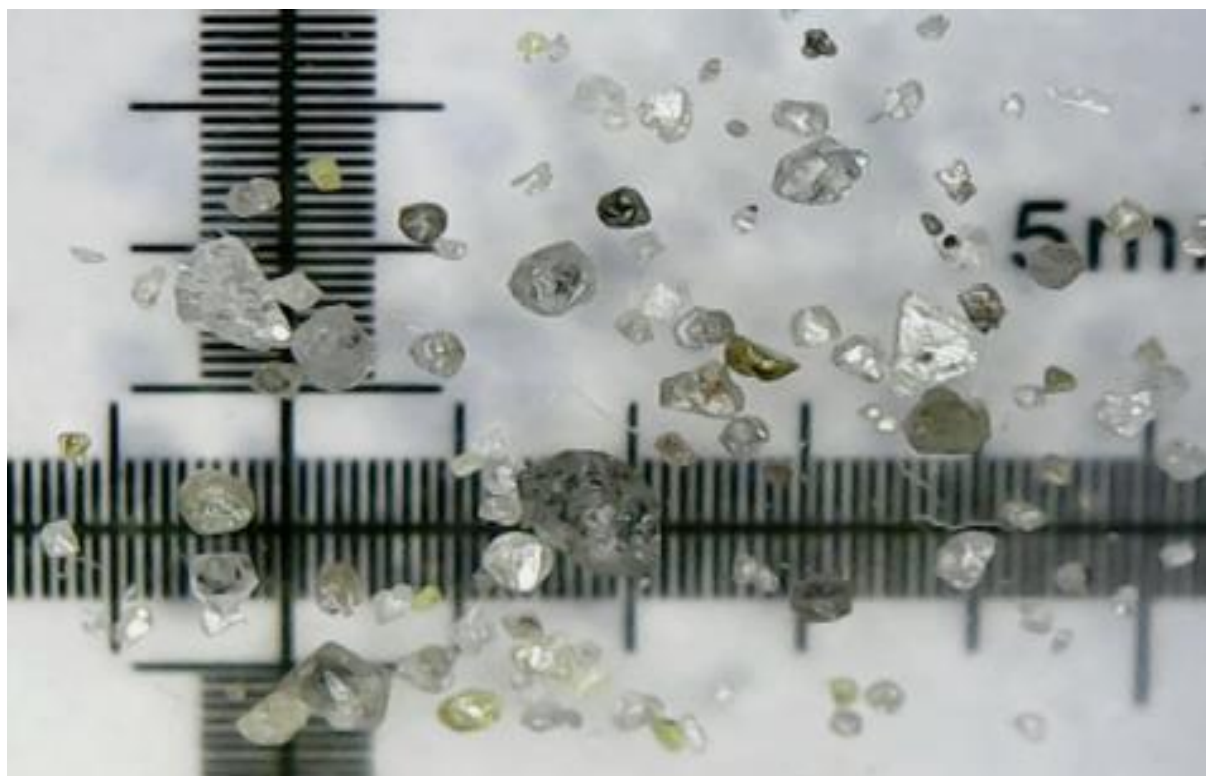
### **Lamproite Exploration - Brooking Diamonds (Pty) Ltd (Lucapa 100% subsidiary - project tenements owned 80%, Leopold Diamond Company 20%)**

During the Quarter, Lucapa announced a significant lamproite diamond discovery at the Little Spring Creek prospect within the 118km<sup>2</sup> Brooking diamond project, which is within 50km of the Ellendale diamond mine in Western Australia's West Kimberley region (See ASX announcement 11 January 2018).

When in operation, Ellendale was the world's leading producer of rare fancy yellow diamonds.

The one hole drilled at Little Spring Creek intersected lamproitic material from close to surface to ~70m. As detailed in the ASX announcement of 11 January 2018, an 86.8kg sample of crushed core from one Little Spring Creek hole produced 119 diamonds – including 112 micro-diamonds and 7 macro-diamonds. The largest macro-diamond measured approximately 1.0mm x 0.6mm x 0.5mm.

Subsequent washing of the diamonds from the Little Spring Creek drill core revealed a relatively high proportion of white diamonds, with yellow diamonds also noted.



Diamonds recovered from the drill core of the Little Spring Creek discovery hole at Brooking, including white and yellow diamonds

The drilling results validated previous stream and surface sampling results from Little Spring Creek, which included 24 diamonds and anomalous concentrations of lamproitic indicator minerals<sup>1</sup>.

While the Little Spring Creek discovery warranted immediate follow-up exploration, further work could not be undertaken during the Quarter due to the northern wet season.

Subsequent to the Quarter end, Lucapa announced an extensive drilling and exploration program to follow up on the Little Spring Creek discovery. As set out in the ASX announcement of 9 April 2018, this follow-up program will include drilling at both the Little Spring Creek discovery, a second geophysical target about 350 metres to the north-east and other anomalies of interest (Figure 1).

In addition, Lucapa will undertake extensive geophysical surveys – including airborne and detailed ground-based EM, magnetics and gravity as well as ground penetrating radar - to better define the lamproitic target at Little Spring Creek and position drilling co-ordinates for targets at other prospective areas within the broader Brooking tenement where concentrations of diamonds and lamproite indicator minerals were also recovered from previous surface sampling programs<sup>1</sup>.

The program will also encompass trenching and bulk sampling. Lucapa expects to regain access to Brooking this month, with drilling expected to resume in May 2018.

Lucapa also intends to review the work completed on previously identified lamproite discoveries within the tenement, which could warrant additional work programs.

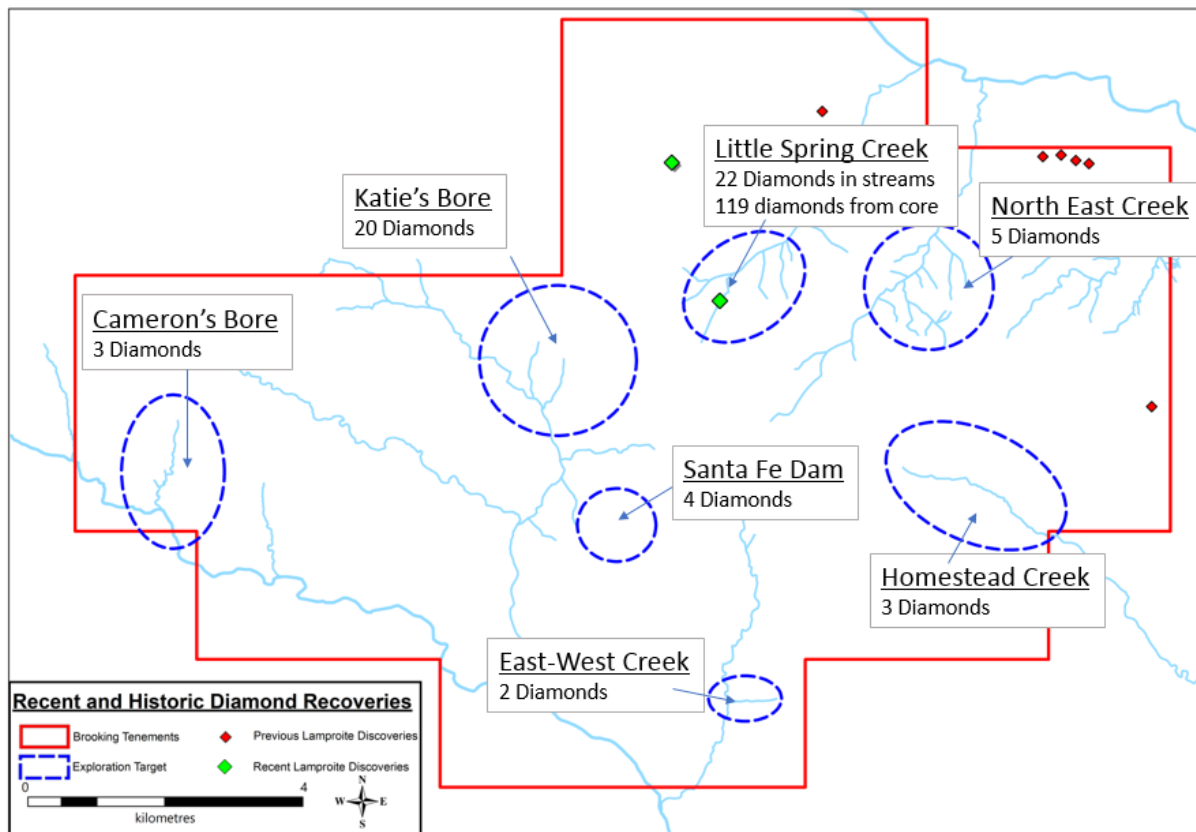


Figure 1: Exploration targets at the Brooking diamond project showing diamond recoveries from previous stream sampling and diamonds from the Little Spring Creek discovery hole<sup>1</sup>

<sup>1</sup> 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 referred to in the ASX announcement of 18 December 2017, Lucapa's proposed drilling program at Orapa Area F was delayed pending required approvals from authorities. As a result, drilling is now scheduled in 2018.

## **CORPORATE**

Lucapa's Quarter-end cash balance stood at US\$6 million (A\$7.8 million). This balance does not include cash held by the Company in Angola to fund the Lulo kimberlite drilling program.

During the Quarter, the Company drew down the final US\$5 million of the US\$15 million Equigold facility for the Phase 1 mine development at Mothae, which remains on budget and schedule for commissioning in H2 2018.

In addition to Lucapa's cash reserves, Lulo alluvial mining company, SML (Lucapa 40% and operator) had Quarter-end cash of US\$13.1 million on hand together with a diamond inventory of 3,047 carats. As mentioned earlier, considering the positive discussions taking place between Lucapa and the Angolan Government, the Lucapa board believes it is prudent to defer consideration of a dividend and loan repayment from SML until after these discussions have concluded.

Subsequent to the Quarter, Lucapa announced the Company had secured major backing and firm commitments from new and existing investors for a A\$16.5 million share placement.

The placement, coupled with existing cash reserves, will leave Lucapa in a position of significant financial strength to continue advancing and delivering on its suite of diamond projects.

Lucapa has engaged Perth broker Euroz Securities Limited as the Company's financial adviser to help increase interest from institutional investors and funds.

For and on behalf of the Lucapa Board.

**STEPHEN WETHERALL**  
**MANAGING DIRECTOR**

Schedule of Tenements as at 31 March 2018					
Country	Type	Size (km <sup>2</sup> )	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 <sup>1</sup>	3			

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

<sup>1</sup> Application for Exploration Licence submitted and grant pending

### Competent Person's Statement

Information included in this announcement that relates to exploration results and resource estimates is based on and fairly represents information and supporting documentation prepared and compiled by Albert Thamm MSc FAusIMM (CP), who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr Thamm is a Director of Lucapa Diamond Company Limited. Mr Thamm has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Thamm consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

### No New Information

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

### Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete.

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