Lucapa Diamond Company Limited
Annual Report for the year ended 31 December 2014

ASX Code: LOM/LOMO

LUCAPA DIAMOND COMPANY LIMITED
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Competent Person's Statement

Information included in this document that relates to previously released exploration data disclosed under the JORC Code 2004 has been updated to comply with the JORC Code 2012. The information has not materially changed since it was last reported and is based on and fairly represents information and supporting documentation prepared and compiled by Albert Thamm MSc F.Aus.IMM (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 and consents to the inclusion in the document of the matters based on this information in the form and context in which it appears

Forward-Looking Statements

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Dear Shareholder

2014 has been a year of significant achievement and progress for Lucapa Diamond Company Limited at the Lulo Diamond Concession in Angola which has put the Company on a sound footing to achieve its goals.

The primary goal for Lucapa is to generate sustainable long-term cash flows from the mining and sale of alluvial diamonds at Lulo while advancing our efforts to locate the primary kimberlite sources of these exceptional gems.

To this end, Lucapa achieved milestones on several key fronts during 2014.

On the licencing front, we were successful in extending both our alluvial and kimberlite exploration licences for a further two years until May 2016. Then, in November, we secured a 35 year licence to mine the alluvial diamonds at Lulo.

The fact that we already had key infrastructure in place at Lulo, including a 150tph diamond plant, enabled us to move quickly to commence alluvial diamond mining operations in January 2015.

Securing these licences was further proof of the strong in-country relationships we have built with the Angolan Government and our partners through our tireless efforts over recent years to unlock the true value of the Lulo concession. Our confidence in Lulo has never wavered.

Our extensive bulk sampling operations throughout 2014 continued to underline the rare and valuable nature of the Lulo diamond field. This bulk sampling yielded diamonds of premium quality, including special stones of up to 95.45 carats (the second biggest diamond recovered from Lulo), a high proportion of rare Type IIa gems and fancy coloured stones.

The value of Lulo diamonds was demonstrated by the sale prices we achieved for the second parcel of Lulo diamonds tendered in May 2014. This parcel of 371.35 carats sold for gross proceeds of A$2.92 million, representing an exceptional average sale price of A$7,873 per carat.

There was success on the kimberlite front as well, with 96 of the kimberlite targets identified at Lulo classified as confirmed or probable kimberlites. The outcropping or shallow-buried nature of the Lulo kimberlites enabled us to commence a preliminary surface excavation program, from which 14 macro diamonds were recovered from three separate kimberlite pipes. These pipes included L251 which, with a surface area of approximately 220 hectares, is the biggest kimberlite discovered at Lulo to date. In addition, a micro diamond was recovered during mineral chemistry analysis from a fourth kimberlite pipe at Lulo.

Adding to our excitement is the fact that the kimberlite diamonds included rare Type IIa stones, emphasising the huge potential of the main prize we are pursuing at Lulo.

The achievements of 2014 give Lucapa great confidence going into 2015. With the Angolan wet season winding down, the period ahead is most exciting. Our alluvial mining operations are about to move to the areas where we recovered our largest and most valuable diamonds during the bulk sampling phase, while our new kimberlite exploration plans are also set to commence to further evaluate known diamond-bearing pipes and other priority kimberlite targets.

The new management team we put in place during the year means your Company is in very good hands as we enter this exciting new phase. In Chief Executive Stephen Wetherall and Chief Operating Officer Nick Selby we have two extremely capable executives with decades of global diamond industry experience behind them and who have been working with our dedicated mine site management and staff to realise Lulo's full potential.

I would also like to pay tribute to my predecessor Gordon Gilchrist, who moved to the position of Non-Executive Director during the year and whose invaluable diamond knowledge and direction has guided Lucapa through challenging circumstances.

Lulo is ticking every box as one of the most exciting new diamond projects in the world and I greatly look forward to further developments in 2015.

Miles Kennedy
Chairman

Lucapa Diamond Company Limited (the **Company** or **Lucapa**) achieved some significant milestones during 2014 and enters 2015 with clear and well-developed plans for both its alluvial and kimberlite operations at the Lulo Diamond Concession in Angola.

Lucapa operates Lulo in partnership with Endiama, the Angolan Government's diamond concessionary, and private group Rosas & Petalas.

The 3,000km^2 Lulo concession is located in the Lunda Norte province, a diamond heartland within the ideal tectonic and stratigraphic setting where the Lucapa Graben crosses the diamond-rich Cuango Basin. The Lucapa Graben is the geological belt hosting most of Angola's kimberlite diamond mines including the Alrosa-operated Catoca, the world's fourth largest diamond mine.

The milestones achieved by Lucapa in 2014 included:

- Securing a 35-year licence to mine the exceptional alluvial diamonds at Lulo, enabling diamond mining operations to commence in January 2015.
- The discovery of four diamond-bearing kimberlite pipes at Lulo from the 96 targets already classified as confirmed or probable kimberlites.
- The sale of a second parcel of Lulo alluvial diamonds for A$2.92 million, taking to A$6 million the gross proceeds generated from the sale of Lulo diamonds at an exceptional average sale price of close to A$7,000/carat.
- Confirmation that a high proportion of the diamonds recovered from Lulo are rare and valuable Type IIa gems, including both alluvial and kimberlite diamonds.
- The renewal of both the kimberlite and alluvial exploration licences at Lulo for a further two years until May 2016.
- Building a new management team for the transition to mining headed by ex De Beers and Gem Diamonds executives Stephen Wetherall (Chief Executive/Managing Director) and Nick Selby (Chief Operating Officer)

Achieving these milestones has enabled Lucapa to develop clear plans for 2015, which are being stepped up to coincide with the finish of the Angolan wet season.

These plans for 2015 include:

- Commencement of alluvial mining operations on a commercial scale
- The mining of alluvial diamonds at the areas which produced the highest diamond grades during bulk sampling including BLK_08 and BLK_06 & 19. These areas are where some of the largest diamonds have been recovered from Lulo, including stones weighing 131.4 carats, 95.4 carats, 53.2 carats, 38.4 carats, 32.2 carats and 24.4 carats
- The start of a new kimberlite program to further evaluate the four known diamond-bearing pipes at Lulo as part of a broader plan to test more than 80 kimberlite targets in both the western and eastern kimberlite provinces.

Lulo diamonds: exceptional quality, premium value

Alluvial Diamond Exploration

Lucapa continued its alluvial diamond bulk sampling programs throughout 2014, achieving more significant results. Lucapa's bulk sampling programs have consistently yielded exceptional diamonds, including special stones of up to 131.4 carats, a high provenance of Type IIa diamonds, D-colour exceptional whites and fancy pinks and yellows.

In January 2014, Lucapa's alluvial diamond recoveries included large special diamonds weighing 95.45 carats and 32.2 carats from the BLK_19 bulk sample. Both diamonds were confirmed as rare and valuable Type IIa gems.

The last two bulk samples processed during 2014 – BLK_29 and BLK_31 – produced in-situ diamond grades of 35 carats per $100m^3$ and 15.7 carats per $100m^3$ respectively.

The gems recovered from BLK_29 included diamonds weighing 34.70 carats, 25.05 carats, 17.35 carats and 9.90 carats, while BLK_31 included diamonds weighing 14.40 carats, 6.90 carats, 6.60 carats and 4.35 carats. The average stone size from BLK_31 was an exceptional 2.18 carats per stone.

Alluvial bulk sampling at Lulo

Lucapa's alluvial bulk sampling results, as set out in the ASX announcement of 29 January 2015, are summarised in Table 1. The table includes a total of 1,942.75 carats recovered from alluvial bulk sampling at Lulo for an average diamond size of 1.12 carats.

Lucapa also completed a review of bulk sample results and diamond size distributions at Lulo, as at 18 December 2014, as part of the Company's mine planning process.

In summary, the review showed:

- Diamonds > 3 carats in weight:
  - Represent 52% of the carats recovered to date – but only 6% of the stones recovered;
  - Average stone size of this category is 9.28 carats per stone
- Diamonds > 3 carats < 10.8 carats in weight:
  - Represent 24% of the carats recovered to date – but only 5% of the stones recovered;
  - Average stone size of this category is 4.99 carats per stone
- Diamonds > 10.8 carats in weight:
  - Represent 28% of the carats recovered to date – but only 1% of the stones recovered;
  - Average stone size of this category is 36.22 carats per stone

The large average diamond stone size recovered to date - coupled with top white colour and quality diamonds, a high Type IIa population and the recovery of a number of fancy colour diamonds - illustrate the exceptional potential of the Lulo diamond field.

Bulk Sample No	*In-situ* Volume Treated (m^3)	Carats	Stones	*In-situ* Grade (cphm^3)	Avg stone-size (ct/stn)	Largest stone (ct)
BLK_01	232.00	4.80	7	2.07	0.69	1.45
BLK_02	368.30	47.60	44	12.92	1.08	22.25
BLK_03	276.30	31.00	40	11.22	0.78	4.25
BLK_04	256.70	9.20	11	3.58	0.84	5.05
BLK_05	123.50	2.50	7	2.02	0.36	1.50
BLK_06	457.60	184.15	116	40.24	1.59	53.20
BLK_07	310.20	25.30	43	8.16	0.59	2.40
BLK_08	198.90	189.05	24	95.05	7.88	131.40
BLK_09	42.90	0.45	2	1.05	0.23	0.30
BLK_10	117.00	2.65	3	2.26	0.88	2.10
BLK_11	31.20	8.65	5	27.72	1.73	2.75
BLK_12	159.19	3.55	5	2.23	0.71	2.40
BLK_13	259.88	19.95	20	7.68	1.00	5.35
BLK_14	240.00	52.45	52	21.85	1.01	6.95
BLK_15-17	69.70	1.00	3	1.43	0.33	0.50
BLK_18	3,361.16	159.80	202	4.75	0.79	9.30
BLK_19	971.55	318.85	147	32.82	2.17	95.45
BLK_20	1,164.33	110.30	87	9.47	1.27	13.30
BLK_21	1,138.32	69.75	124	6.13	0.56	6.25
BLK_22	1,603.44	56.00	82	3.49	0.68	6.30
BLK_23	907.29	61.00	54	6.72	1.13	10.15
TMB-1	3,629.16	293.50	392	8.09	0.75	16.50
BLK_24	391.68	35.10	52	8.96	0.68	4.25
BLK_25	333.54	31.85	43	9.55	0.74	3.25
BLK_26	408.51	1.95	7	0.48	0.28	0.40
BLK_27	82.62	0.75	3	0.91	0.25	0.35
BLK_29	449.81	157.50	87	35.01	1.81	34.70
BLK_30	1,118.43	24.95	48	2.23	0.52	2.80
BLK_31	249.40	39.15	18	15.70	2.18	14.40
TOTAL	**18,952.61**	**1,942.75**	**1,728**	**10.25**	**1.12**	**131.40**

Table 1: Summary of bulk sampling results

Note: Some information included in the above table relates to previously released exploration data disclosed under the JORC Code 2004 which has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. This table does not include the subsequent results from BLK_28, which are incomplete.

Alluvial Diamond Mining Licence

The exceptional alluvial diamonds recovered by Lucapa and its Angolan partners from bulk sampling programs at Lulo encouraged the Company and its partners to apply for an alluvial diamond mining licence over a 218km^2 area covering more than 50km of the Cacuilo River, its valley and terraces.

This licence was signed on 21 November 2014, within five months of the formal application being lodged, in a ceremony televised on Angolan national television.

Signing of the 35 year Lulo alluvial diamond mining licence agreement in November 2014

In parallel with the mining licence agreement, Lucapa also negotiated a new shareholders' agreement with Endiama and Rosas & Petalas and by-laws for the incorporation of a new diamond mining company into which the alluvial mining licence will be gazetted.

Under the agreements, Lucapa retained a 40% shareholding in the new mining company and remained sole operator of the Lulo diamond mine.

Key points of the mining licence agreements include:

- An initial 35 year term, the maximum period under Angola's new Mining Code.
- Rolling 10 year extension options.
- Ability for Lucapa to repatriate its share of dividends and capital gains.
- Ability for Lucapa to be repaid all past and future alluvial exploration and development expenditures from free cash flow distribution.
- Favourable tax and royalty regime including 25% corporate tax rate and 5% royalty rate.
- Ability for continuous mining operations.

Securing the mining licence was a key part of Lucapa's strategy to generate sustainable long term cash flows from diamond sales to fund ongoing mining exploration programs to find the primary kimberlite sources of the exceptional Lulo alluvial diamonds within the concession.

Alluvial diamond mining commenced at Lulo in January 2015, utilising existing infrastructure including the 150 tonne per hour (tph) diamond plant and the existing fleet of earth moving equipment.

The 150tph diamond treatment plant at Lulo

Lucapa's phase 1 mining plan involves the progressive scaling up of monthly throughput from 3,500 bulk cubic metres (bcm) in January 2015 to 10,000bcm/month by June 2015. The final step up to 14,000bcm/month will be achieved via the sourcing of additional earth moving equipment.

The Phase 2 mining plan targets throughput of 40,000bcm/month through additional earth moving fleet and the in-field screening of alluvial gravels to create a concentrated feed for trucking to the diamond plant.

Diamond Sales

During the year, Lucapa completed the sale of a second parcel of Lulo alluvial diamonds via tender through Angolan Government diamond agency SODIAM in Luanda.

The 371.35 carat parcel of diamonds sold for gross proceeds of A$2.92 million, representing an exceptional average sale price of A$7,873 per carat. It followed the sale in June 2013 of an initial parcel of Lulo diamonds for gross proceeds of A$3.12 million. In total, the two sales of rough diamonds generated gross proceeds of more than A$6 million for an average sale price of ~ A$7,000 per carat, providing further evidence of the premium value of Lulo diamonds.

A third parcel of Lulo alluvial diamonds, weighing a total of more than 1,500 carats, is scheduled for sale in April 2015.

Kimberlite Exploration

In parallel with its alluvial bulk sampling and mining activities, Lucapa also achieved significant milestones with its kimberlite exploration activities in 2014.

To date, Lucapa has identified 296 kimberlite targets at Lulo in two distinct provinces – the main western kimberlite province where the Company has been recovering its alluvial diamonds and the newer eastern kimberlite province, which was identified from aeromagnetic surveys flown over the area in late 2013. Of those, 96 have already been confirmed as proven or probable kimberlites.

Significantly, most of the Lulo kimberlites either outcrop or are close to surface. This enabled Lucapa to commence a preliminary program of excavating surface samples from priority kimberlites and processing that material through the diamond plant to test for diamonds.

Lulo kimberlite diamonds including Type IIa gems

This kimberlite exploration met with immediate success, with a total of 14 diamonds recovered from three Lulo kimberlites (Figure 1).

These diamond-bearing kimberlites were L257, L19 and L251, L251 with an estimated surface area of ~ 220 hectares, is the biggest kimberlite defined at Lulo to date. The largest individual kimberlite diamond recovered weighed 1.6 carats, with a significant proportion of the kimberlite diamonds subsequently confirmed as Type IIa stones.

In addition to the 14 macro diamonds, a micro diamond was recovered from the L170 kimberlite (Figure 1) during mineral chemistry analysis.

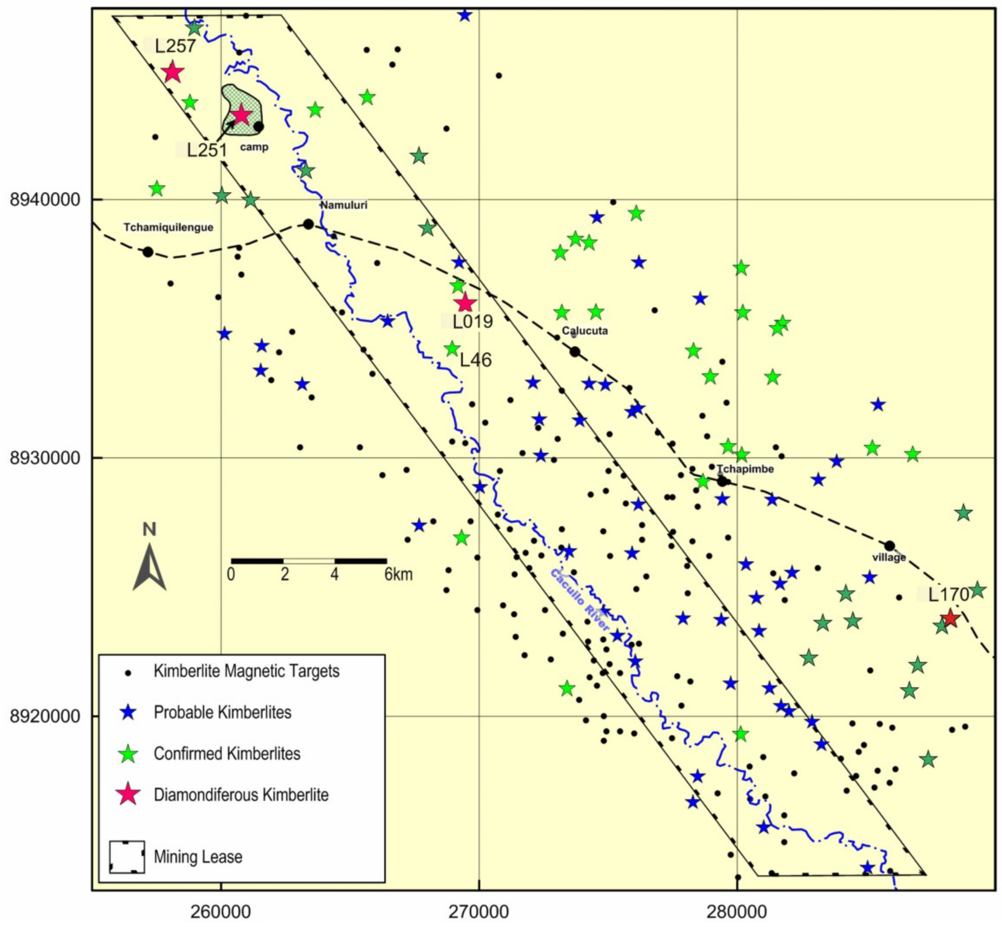

Figure 1: Location of four diamond-bearing kimberlites in the western kimberlite province at Lulo and the priority L46 pipe, which will be bulk sampled in the June 2015 quarter

Lucapa then initiated a comprehensive review of its kimberlite exploration results and data to formulate its next phase of kimberlite exploration. This review included input from independent expert consultants and Lulo's geological team.

The outcomes of this review were incorporated into a new kimberlite program unveiled in March 2015 to build on the positive results achieved to date.

As outlined in the ASX announcement of 23 March 2015, this new 24-month program includes:

- Testing of more than 80 kimberlite targets including drilling of 48 priority targets in the main western kimberlite province and preliminary sampling of 38 targets in the eastern province (Figures 2 and 3).

- Extensive further evaluation of four known diamond-bearing pipes at Lulo and laboratory analysis of drill core (Figure 1).

- Excavating first bulk samples from the priority L46 kimberlite, which has been identified as a likely source of the high-grade diamonds recovered from the E46 alluvial area at Lulo (Figure 1).

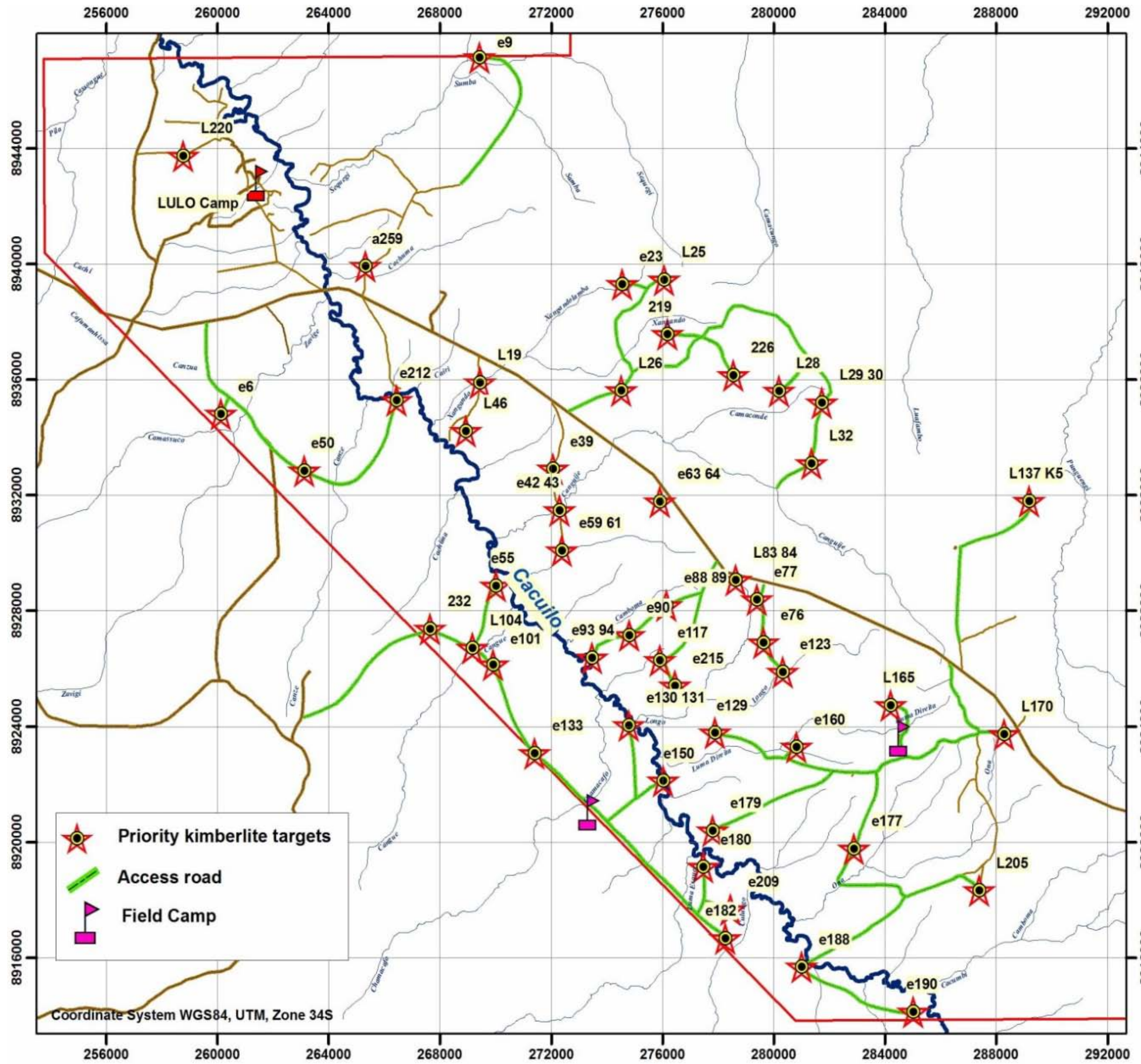

Figure 2: 48 priority targets to be progressively drilled and sampled in the main western kimberlite province

The Company's confidence of finding the primary kimberlite sources of the exceptional Lulo kimberlite diamonds is supported by a range of factors including:

- Lulo lies within the ideal tectonic and stratigraphic setting where the Lucapa Graben crosses Angola's most diamond rich Cuango basin. The Lucapa Graben is the same geological belt hosting most of Angola's producing kimberlite mines, including neighbouring Catoca, the world's fourth largest diamond mine.
- The existence of two large kimberlite provinces at Lulo with 296 targets already identified.
- The widespread discovery of alluvial diamonds within the concession.
- Diamonds recovered include large high-quality gems occurring with smaller stones of lower quality, indicating proximity to the source of the larger diamonds and possible multiple sources.
- The Lulo diamonds (specifically the large diamonds) are irregular shaped and have jagged edges, indicating they have not travelled far from the source.
- Surface texture studies of all Lulo diamonds show very little sign of abrasion, which also points to a proximal source.
- Certain size frequency distribution curve graphs of alluvial diamonds recovered are more akin to kimberlite curves i.e. flatter and poorly sorted.
- Lulo kimberlite targets have positive mineral chemistry; including recovery of G3D, G4D and G10D garnets amongst other indicator minerals.

The first stage of the new kimberlite program will commence in April 2015 and continue throughout the June quarter. This will include excavating more extensive bulk samples to further evaluate and prove up the four diamond-bearing pipes already identified at Lulo, bulk sampling of the priority L46 kimberlite and sending existing drill core for micro probing analysis.

Stage one will also include the first systematic phase of exploration to be carried out at the eastern kimberlite province at Lulo since 38 kimberlite targets were identified in this area in 2013.

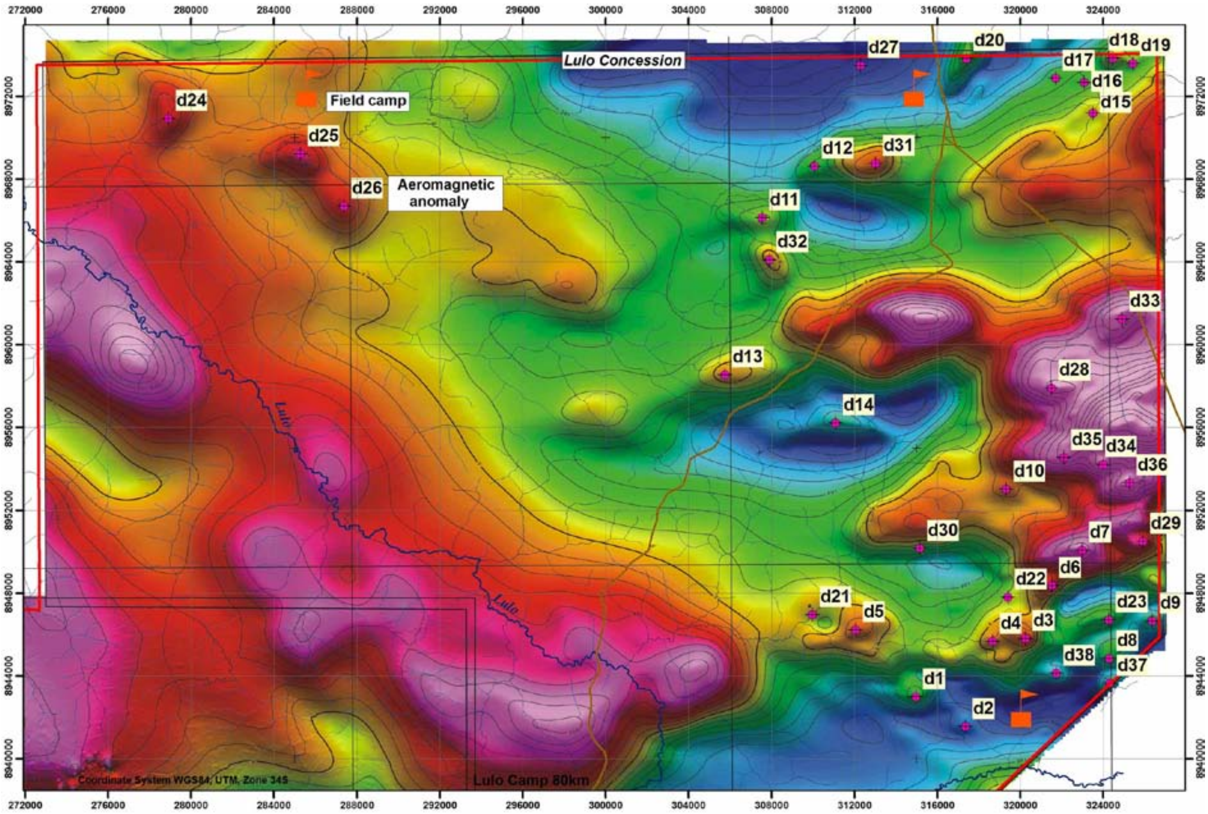

Figure 3: The 38 kimberlite targets in the eastern kimberlite province at Lulo

The second stage of the new kimberlite program is scheduled to commence in the September 2015 quarter and will take an estimated 21 months to complete. This will include the progressive drilling and sampling of 48 priority targets in the main western kimberlite province at Lulo (Figure 2).

Lucapa and its Angolan partners will utilise the original 10tph diamond sampling plant at Lulo to process kimberlitic sample from the new kimberlite program, enabling the main and larger 150tph treatment plant to be used for continuous alluvial diamond mining operations.

The existing earthmoving fleet will be scheduled between the alluvial mining operations and kimberlite program, until additional earthmoving fleet is sourced to expand mining capacity.

In preparation for the second stage program, Lucapa and its partners will immediately begin the process of seeking an extension of the Lulo kimberlite exploration licence beyond its current May 2016 date.

The directors present their report together with the financial report of Lucapa Diamond Company Limited for the financial year ended 31 December 2014 and independent auditor's report thereon. In 2013, the Company changed its financial year end to 31 December to synchronise with that of its operations in Angola, effective 1 March 2013. As such, all 2013 comparative numbers reflect activities for a 10 month period.

1. Directors

The directors of the Company at any time during or since the end of the financial period are:

Name	Position	Date of appointment	Date of resignation
M Kennedy	Non-Executive Chairman	12 September 2008	-
S Wetherall	Chief Executive Officer/Managing Director	13 October 2014	-
G Gilchrist	Non-Executive Director	27 March 2012	-
A Thamm	Non-Executive Director	9 May 2014	-
D Jones	Technical Director	26 February 2010	21 May 2014

The qualifications, experience and other directorships of the directors in office at the date of this report are:

Miles Kennedy
Non-Executive Chairman

Mr Kennedy has held directorships of Australian listed resource companies for the past 29 years. He is Chairman of RNI NL. Mr Kennedy was Chairman of Sandfire Resources NL, Kimberley Diamond Company NL, Blina Diamonds NL, Macraes Mining Company Ltd and MOD Resources Limited and has extensive experience in the management of public companies with specific emphasis in the resources industry. He lives in Perth, Western Australia.

Stephen Wetherall
Chief Executive Officer / Managing Director

Mr Wetherall is a qualified chartered accountant with more than 20 years' experience in financial and operational management, corporate transactions and strategic planning. He has held senior financial and executive roles with global diamond giant De Beers and London-listed Gem Diamonds, where after successfully establishing the marketing and diamond manufacturing operations for Gem Diamonds served as the company's Group Sales and Marketing Executive responsible for the global marketing and manufacturing division and Director on the Letseng Diamond Company Board. He lives in Perth, Western Australia.

Gordon Gilchrist
Non-Executive Director

Mr Gilchrist holds a MSc in Business and MA in Physics. In 1993, Mr Gilchrist was appointed Managing Director of Argyle Diamond Mines in Western Australia, a position he held until 2002. During that time, Argyle grew to become the world's biggest diamond producer, by volume. Mr Gilchrist then became the founding Managing Director of Rio Tinto Diamonds, based out of Antwerp in Belgium, and served in that capacity until 2005. He lives in Perth, Western Australia.

Albert Thamm
Non-Executive Director

Mr Thamm is a senior geologist with broad industry experience spanning 28 years. His experience includes kimberlite diamond exploration in Russia, alluvial and kimberlite development in Angola, alluvial mining in South Africa and diamond exploration and mining in Australia. He was previously Chief Geologist and Alternate Registered Manager at the Ellendale diamond mine in Western Australia prior to the takeover by Gem Diamonds in 2007. He holds a M.Sc. from the University of Cape Town and is both a Fellow of the Society of Economic Geologists and the Australian Institute of Mining and Metallurgy. He is a JORC Competent Person for diamond exploration results, resources and reserves. He is currently Non-Executive Director of ASX-listed RNI NL. He lives in Perth, Western Australia.

David Jones resigned as Technical Director on 21 May 2014.

2. Company Secretary

Mr Mark Clements was appointed to the position of Company Secretary on 2 July 2012. Mr Clements holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants of Australia. Mr Clements is also a member of the Australian Institute of Company Directors and an affiliated member of the Institute of Chartered Secretaries in Australia.

3. Directors' meetings

There were 6 directors' meetings held during the year which were attended by Gordon Gilchrist and Miles Kennedy. David Jones attended 3 prior to his resignation and Albert Thamm and Stephen Wetherall attended 4 after their appointment. There were 10 other occasions when resolutions of the Board were made by circular resolution.

4. Nature of operations and principal activities

The Company's principal activity during the course of the financial period was the exploration of diamond projects in Angola.

5. Operating and financial review

The total comprehensive loss for the year attributable to owners of the Company for the year ended 31 December 2014 was $2,599,898 (10 month period ended 31 Dec 2013: $1,173,029). The Company had net assets of $36,950,975 (31 Dec 2013: $27,276,644).

Review of financial condition

The Company is focused on its Angolan diamond mining evaluation and exploration interests in the Lulo Project. This project requires ongoing evaluation and exploration work and funding until such time as mining operations produce sufficient cash flows to sustain operations. Based on the potential of the diamond concession, alluvial sampling recoveries to date, projected cash flow forecasts for a scaled up mining operation and strategic development initiatives/or plans, the directors are satisfied that the going concern basis of preparation is appropriate.

Significant changes in the state of affairs

Corporate

The Company completed the following issued capital and option transactions during the period.

Transaction	Number	Issue/exercise price	Funds raised	Option expiry
Issue of shares (pre-consolidation)	925,000,000	$0.006	$5,550,000.00	-
Issue of options (pre-consolidation)	537,500,000	$0.01	-	29 August 2015
Exercise of options	22,617,835	$0.30	$6,785,350.50	-
Issue of options	90,240,470	$0.30	-	29 August 2015
Expiry of options	4,166,668	$0.57	-	25 September 2014
Expiry of options	833,334	$0.90	-	2 December 2014

6. Dividends

No dividends were paid or declared during the current period or prior financial year.

7. Environmental regulation

The Company's exploration activities are subject to various environmental regulations. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations. The Company is committed to achieving a high standard of environmental performance and conducts its activities in a professional and environmentally conscious manner and in accordance with applicable laws and permit requirements. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the project.

8. Events subsequent to reporting date

On 21 January 2015 the Company announced it had signed a term sheet for a US$15 million bridge financing facility with a well established mining investment company. The term sheet is for a 12 month bridge facility and remains subject to the satisfactory completion of due diligence, investment approvals, security and customary legal documentation.

On 22 January 2015 the Company announced the successful commencement of alluvial diamond mining at the Lulo Diamond Concession. The Company had completed the preliminary processing of mining at the block 29 area which produced a highly encouraging diamond in-situ grade of 17.33 carats per 100 cubic metres. A total of 286 diamond weighing 266.70 carats were recovered from block 29 over the first 8 days of alluvial mining.

On 27 February 2015 the Company announced that the investment group had completed their detailed operational, technical and resource potential reviews of part of the due diligence and has formally advised the company that no material concerns or fatal flaws were raised. The investment group further confirmed the US$15 million bridge finance facility offer will remain in place for a further three months to enable the Company to complete the gazetting and incorporation formalities which are required to provide the necessary in-country security for the investment group. The Company further announced that it had successfully raised $4.8 million via the issue of new shares to enable the Company to continue ramping up alluvial diamond mining operations at Lulo. The placement involved the issue of 24 million ordinary fully paid Lucapa shares at an issue price of 20 cents per share, with an attached one-for-one listed option, exercisable at 30 cents on or before 29 August 2015 at no additional cost, subject to shareholder approval at a general meeting to be convened on 17 April 2015.

On 10 March 2015 the Company announced that earthmoving equipment had been mobilised to the BLK_08 and BLK_06 & 19 areas at Lulo to prepare for mining of these high grade areas in the dry season. The Company also announced that the planned sale of the third parcel of diamonds had been deferred to March/April 2015 to potentially benefit from more favourable market conditions and possibly supplement additional diamonds to increase the parcel size.

On 23 March 2015 the Company announced that it was preparing to commence the next phase of its kimberlite exploration program at Lulo. The aim of the 24 month program is to build on the positive exploration results achieved to date to further evaluate the known diamondiferous pipes at Lulo and explore for other possible kimberlite sources. The new kimberlite program will be undertaken in two stages, the first of which will commence in April 2015 and continue through the June 2015 quarter at a budgeted cost of $500,000. The second stage is scheduled to commence in the September 2015 quarter and will include the progressive drilling and sampling of 48 priority targets in the main western kimberlite provence at Lulo.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

9. Likely developments

As outlined in the Review of Operations and Events subsequent to reporting date sections of the Directors' Report, the directors consider the following as a summary of the likely developments and expected results for the next 12 months.

- The mining of alluvial diamonds at the areas which produced the highest diamond grades during bulk sampling including BLK_08 and BLK_06 & 19. These areas are where the largest diamonds have been recovered from Lulo, including stones weighing 131.4 carats, 95.4 carats, 53.2 carats, 38.4 carats, 32.2 carats and 24.4 carats

- The start of a new kimberlite program to further evaluate the four known diamond-bearing pipes at Lulo as part of a broader plan to test more than 80 kimberlite targets in both the western and eastern kimberlite provinces

- Progress Lucapa's Phase 1 mining plan which involves the progressive scaling up of monthly throughput from 3,500 bulk cubic metres (bcm) in January 2015 to 10,000bcm/month by June 2015. The final step up to 14,000bcm/month will be achieved via additional earth moving equipment

- Initiate the Phase 2 mining plan which targets throughput of 40,000bcm/month through additional earth moving fleet and the in-field screening of alluvial gravels to create a concentrated feed for trucking to the diamond plant.

- Sale of a third parcel of Lulo alluvial diamonds, weighing a total of more than 1,500 carats

The primary goal for Lucapa is to generate sustainable long-term revenues from the mining and sale of alluvial diamonds at Lulo while advancing our efforts to locate the primary kimberlite sources of these exceptional gems.

10. Directors' interests

The relevant interest of each director in the shares and options over such instruments issued by the Company and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows.

	Ordinary shares	Options over ordinary shares
Director	**Fully paid**	**Expiring 29 August 2015**
M Kennedy	751,668	710,835
S Wetherall	65,000	-
G Gilchrist	295,001	117,501
A Thamm	29,470	90,000

11. Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of options	Quoted
29 August 2015	$0.30	112,051,451	112,051,451

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Options granted to directors and executives of the Company

During or since the end of the financial period, the Company has not granted options to directors of the Company.

Share options

The following options over ordinary shares were issued by the Company during or since the end of the financial period.

Expiry date	Exercise price	Number of shares	Quoted
29 August 2015	$0.30	108,157,137	108,157,137

Exercise of options

No options over ordinary shares were exercised during or since the end of the financial period.

Lapse of options

The following options over ordinary shares lapsed during or since the end of the financial period.

Expiry date	Exercise price	Number of shares
25 September 2014	$0.57	4,166,668
2 December 2014	$0.90	833,334

12. Remuneration report – audited

12.1 Principles of compensation

Key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and other executives. Currently, KMP comprises the directors and operations management of the Company.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The directors of the Company obtain independent advice on the appropriateness of compensation packages of both KMP given trends in comparative companies both locally and internationally, and the objectives of the Company's compensation strategy.

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

Fixed compensation

Fixed compensation consists of base compensation, determined from a market review, to reflect core performance requirements and expectations of the relevant position and statutory employer contributions to superannuation funds. Compensation levels are reviewed periodically by the Board through a process that considers individual, segment and overall performance of the Company.

Directors' fees

Total compensation for directors and non-executive directors is set based on advice from external advisors with reference to fees paid to other directors of comparable companies. Directors' fees are presently limited to a total of A$950,000 per annum, excluding the fair value of any options granted. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to directors.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 31 December 2014.

Equity-based compensation (Long term incentive)

None

Short-term and long-term incentive structure and consequences of performance on shareholder wealth

Given the Company's principal activity during the course of the financial period consisted of exploration and evaluation of mineral resources, the Board has given more significance to service criteria and performance instead of market related criteria in setting the Company's incentive schemes. Accordingly, at this stage the Board does not consider the Company's earnings or earning measures to be an appropriate key performance indicator. The issue of options as part of the remuneration package of directors is an established practice for listed exploration companies and has the benefit of conserving cash whilst appropriately rewarding the directors. In considering the relationship between the Company's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed.

Service contracts

Stephen Wetherall

Mr Wetherall has been engaged to act as an Executive Director. Mr Wetherall is entitled to receive directors fees of $420,000 (gross) per annum which is subject to review by the Board at the end of June 2015 and on each subsequent anniversary of that review. Mr Wetherall was promoted to CEO/MD in December 2015 and did not seek a review to his remuneration package. He will be eligible to participate in any future incentive plans implemented by the Board. Shareholder approval will be sought for his participation in any incentive plan involving equity of the Company. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due.

Miles Kennedy

Mr Kennedy was engaged to act as the Company's Chief Executive Officer until 11 December 2014. Mr Kennedy was entitled to receive director fees of $300,000 (gross) per annum which was subject to review by the Board from time to time. The appointment could have been terminated for various causes of a standard nature. Upon termination, no benefits were due. Mr Kennedy was appointed Non-Executive Chairman on 11 December 2014 and under a new contract will be entitled to receive director fees of $120,000 (gross) per annum, which is subject to review by the Board from time to time. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due.

Gordon Gilchrist

Mr Gilchrist was engaged on 22 March 2012 to act as the Company's Non-executive Chairman and has a fixed term contract for 3 years, subject to the provisions of the Company's Constitution and Corporations Act. Mr Gilchrist is entitled to a gross annual remuneration package of $120,000 (inclusive of all benefits and superannuation) and this is subject to annual CPI increases upon the anniversary of the commencement of his employment. To date, no CPI increases have been implemented. The appointment may be terminated by the Company for various causes of a standard nature and Mr Gilchrist may terminate the Agreement by resigning as director of LOM in accordance with Corporations Act and the Company's Constitution. Total payments to Mr Gilchrist on retirement or termination may not exceed any limits imposed by the Corporations Act and ASX Listing Rules. On 11 December 2014, Mr Gilchrist stepped down as Chairman and remained Non-Executive Director of the Company. Mr Gilchrist's contract is in the process of being renewed at the time of this report.

Albert Thamm

Mr Thamm was appointed on 9 May 2014 as Non Executive Director. Mr Thamm is entitled to receive director fees of $70,000 (gross) per annum which was increased to $80,000 (gross) per annum on 1 December 2014 to take into account Mr Thamm's duties/responsibility as competent person for LOM. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due.

David Jones

Mr Jones was engaged to act as the Company's Technical Director. Mr Jones was entitled to receive director fees of $48,000 (gross) per annum, which was subject to review by the Board from time to time. Mr Jones resigned on 21 May 2014.

12. Remuneration report – audited (continued)

12.2 KMP Remuneration

Details of the nature and amount of each major element of remuneration (in AUD) of each KMP of the Company are:

Key management personnel	Period ended	Short-term benefits	Post employment benefits	Equity-settled share based payments	Total
		Salary & fees	Superannuation benefits	Options	
Executive Director	Dec 2014	123,999	10,000		**133,999**
Mr Stephen Wetherall, Chief Executive Officer / Managing Director (appointed 13 October 2014)	Dec 2013 *	-	-	-	**-**
Non-Executive Directors	Dec 2014	266,322	-	-	**266,322**
Mr Miles Kennedy, Non-Executive Chairman	Dec 2013 *	165,800	-	-	**165,800**
Mr Gordon Gilchrist, Non-Executive Director	Dec 2014	109,714	10,286	-	**120,000**
	Dec 2013 *	91,617	8,383		**100,000**
Mr Albert Thamm, Non-Executive Director (appointed 9 May 2014)	Dec 2014	36,994	4,673	-	**41,667**
	Dec 2013 *	-	-	-	**-**
Former Director Mr David Jones, Technical Director (resigned 21 May 2014)	Dec 2014	18,700	-	-	**18,700**
	Dec 2013 *	40,000	-	-	**40,000**
Total	**Dec 2014**	**555,729**	**24,959**	**-**	**580,688**
	Dec 2013 *	**297,417**	**8,383**	**-**	**305,800**

Notes in relation to the table of KMP remuneration

* The December 2013 figures are for the 10 months to 31 December 2013.

12. Remuneration report – audited (continued)

12.3 Equity instruments

All options refer to options over ordinary shares of Lucapa Diamond Company Limited, which are exercisable on a one-for-one basis.

12.3.1 Analysis of movements in options and shares

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows.

	Held at 1 Jan 2014 or date of appointment	Held following consolidation	Exercise of options	Expired without exercise	Options acquired	Held at 31 Dec 2014	Vested & exercisable
Directors							
M Kennedy	2,050,000	68,334	-	-	642,501	710,835	710,835
S Wetherall	-	-	-	-	-	-	-
G Gilchrist	25,587,500	852,918	(19,584)	(833,334)	117.501	117,501	117,501
A Thamm	-	42,804	(26,136)	-	23,333	40,001	40,001
D Jones	-	-	-	-	-	-	-

	Held at 1 March 2013 or date of appointment	Granted as compensation	Rights Issue	Expired without exercise	Held at 31 Dec 2013	Released from escrow during the period	Vested & exercisable
Directors							
M Kennedy	16,000,000	-	2,050,000	(16,000,000)	2,050,000	-	2,050,000
D Jones	10,000,000	-	-	(10,000,000)	-	-	-
G Gilchrist	50,000,000	-	587,500	(25,000,000)	25,587,500	-	25,587,500

Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows.

	Held at 1 Jan 2014 or date of appointment	Held following consolidation	Received upon exercise of options	Sales	Purchases	Held at resignation	Held at 31 Dec 2014
Directors							
M Kennedy	38,050,000	1,285,002	-	(533,334)	-	-	751,668
S Wetherall	-	-	-	-	65,000	-	65,000
G Gilchrist	6,462,500	215,417	19,584	-	60,000	-	295,001
A Thamm	-	-	26,136	-	-	-	26,136
D Jones	3,312,500	-	-	-	-	3,312,500	-

	Held at 1 Jan 2013 or date of appointment	Held following consolidation	Received upon exercise of options	Sales	Purchases	Held at resignation	Held at 31 Dec 2013
Directors							
M Kennedy	36,500,000	-	2,050,000	-	-	-	38,050,000
D Jones	3,312,500	-	-	-	-	-	3,312,500
G Gilchrist	875,000	-	587,500	-	5,000,000	-	6,462,500

No shares were granted to KMP during the reporting period as compensation in 2014 or 2013.

End of audited section.

13. Indemnification and insurance of officers and auditors

The Company has entered into deeds of indemnity, insurance and access ("Deeds") with each of its directors. Under these Deeds, the Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties (unless the liability arises out of conduct involving lack of good faith), and in successfully defending legal and administrative proceedings and applications for such proceedings. The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavour to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has during and since the end of the period, in respect of any person who is an officer of the Company or a related body corporate, paid a premium in respect of Directors and Officer liability insurance which indemnifies directors, officers and the Company of any claims made against the directors, officers of the Company and the Company, except where the liability arises out of conduct involving a lack of good faith and subject to conditions contained in the insurance policy. The directors have not included details of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not entered into any agreement to indemnify the auditors against any claims by third parties arising from their reports on the Financial Report for the year ended 31 December 2014 and period ended 31 December 2013.

14. Non-audit services

During the period Somes Cooke, the Company's auditors, have not performed any other services for the Company in addition to their statutory audit and as a result the directors are satisfied that auditors have not compromised the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the current auditor of the Company, Somes Cooke are set out below:

In AUD	31 Dec 2014	31 Dec 2013
Audit services:	**(12 months)**	**(10 months)**
Audit and review of financial reports	38,000	38,000
	38,000	**38,000**

15. Auditor's independence declaration

The Lead auditor's independence declaration, as set out on the following page, forms part of the directors' report for the financial period ended 31 December 2014.

Signed in accordance with a resolution of the directors, on behalf of the directors.

MILES KENNEDY
Chairman

Dated this 31st day of March 2015.

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Profit from our Resources

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited:

As auditor for the audit of Lucapa Diamond Company Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Somes Cooke

Ke Somes

Kevin Somes

Partner

Date: 31st March 2015

ROLE OF MANAGEMENT

The Board has delegated responsibilities and authorities to the executive staff and consultants to enable management to conduct the Company's day-to-day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget require Board approval.

An evaluation of the performance of senior management and consultants, including the Chief Executive Officer is undertaken periodically at Board level, with the Chairman discussing this review separately with the Chief Executive Officer. This is considered to be an appropriate process given the size of the Company and its stage of development.

ETHICAL STANDARDS

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a Code of Conduct to guide executives, management, employees and contractors in carrying out their duties and responsibilities. The Code of Conduct is incorporated with the Charter and encompasses:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relationships with clients and customers;
- conflicts of interest;
- employment practices; and
- responsibilities to the community.

DIVERSITY

The Board is committed to having an appropriate blend of diversity on the Board and in all areas of the Group's business. The Board has established a policy regarding gender, age, ethnic and cultural diversity.

The Company and all its related bodies corporate are committed to workplace diversity.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's Principles and Recommendations.

The Diversity policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

The key objectives of the Diversity Policy are to achieve:

(a) a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;

(b) a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;

(c) improved employment and career development opportunities for women;

(d) a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and

(e) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity, (collectively, the Objectives).

Diversity Reporting

The Group's gender diversity as at the end of the reporting period is as follows:

	31 December 2014				31 December 2013			
Gender representation	**Female**		**Male**		**Female**		**Male**	
	No	**%**	**No**	**%**	**No**	**%**	**No**	**%**
Board representation	0	0	4	100	0	0	3	100
Group representation	6	6.3	89	93.7	9	26.5	25	73.5

The following senior positions with the Group are currently held by female employees:

- Financial Manager
- Office Manager

The Company's proposed diversity objectives for the 2015 financial year are to continue to assess and proactively monitor gender diversity at all levels of the business and report to the Board.

TRADING IN THE COMPANY'S SHARES

To safeguard against insider trading the Company's Securities Trading policy prohibits directors, employees and consultants from trading the Company's securities if they are aware of any information that would be expected to have a material effect on the price of the Company's securities.

Directors must consult with the Chairman of the Board, or in his absence or conflict, the Company Secretary, before dealing in shares or other securities of the Company.

Dealings (whether purchases or sales) in the Company's shares or other securities by related personnel may not be carried out other than in the dealing "window", being the period commencing 2 days prior to and ending 2 days following the date of announcement of the Company annual or half yearly results or a major announcement leading to a fully informed market.

"Major" is defined as an announcement that may as a direct result, affect the share price, or an announcement affecting the operations of the Company. If within that period any further announcement arises that may separately affect the share price, the Chairman or in his absence the Company Secretary may impose a lock-down period on the ability to trade.

All related persons must give details of any acquisitions or disposal of shares or other securities in the Company, within one business day to the Company Secretary of the Company.

All related persons must ensure that they at all times observe the insider trading rules of the Corporations Act.

The Company discloses to ASX any transaction conducted by the directors in the Company's securities in accordance with the ASX Listing Rules.

The Board has resolved that the relevant sections of the Charter, particularly the Code of Conduct, corporate ethics policy, securities dealings restrictions and continuous disclosure obligations should also extend to cover all executives, employees and consultants of the Company.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market in accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. These are also detailed in the Charter. All information disclosure to the ASX is posed on the Company's website.

Shareholders are forwarded the Company's Annual Report if requested and documents relating to each general meeting, being the Notice of Meeting, any explanatory memorandum and a proxy form, and are invited to attend these meetings. The Company's external auditor is also required to be present at the Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

MANAGING BUSINESS RISK

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of the business risks that could affect the Company. Duties in relation to risk management that conducted by the Board include, but are not limited to:

- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate, recommend and provide solutions through designated channels;
- verify the implementation of solutions; and
- communicate and consult internally and externally as appropriate.

in accordance with section 295A of the Corporations Act 2001, the persons performing the roles of Chief Executive Officer and Chief Financial Officer are required to provide a declaration to the Board that the financial records of the Company have been properly maintained, the financial statements comply with the accounting standards and give a true and fair view of the Company's financial position and performance. In addition, as required by the Recommendations, the declaration is founded on a found system of risk management and internal control which implements policies adopted by the Board and the Company's risk management and internal compliance control system is operating efficiently and effectively in all material respects
in relation to the financial reporting risks.

	PRINCIPLIES & RECOMENDATIONS	COMPLIANCE	COMPLY
	PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board	Complies.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The non-executive members of the Board undertake annual assessment of the executives' performance.	Complies to the extent that non-executive members of the Board undertake assessment of executives' performance.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	A summary of the Board's functions and responsibilities has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
	PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE		
2.1	A majority of the board should be independent directors.	50% of the Board's directors are independent. Mr Miles Kennedy was an executive of the Company within the last 3 years and therefore is not considered independent. Mr Gordon Gilchrist and Mr Albert Thamm are independent non-executive directors. Mr Stephen Wetherall is an executive director.	Does not comply however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.
2.2	The chair should be an independent director.	Mr Miles Kennedy is a non-executive director of the Board, but is not independent.	Does not comply – refer explanation in 2.1.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Miles Kennedy is the chairman and Mr Stephen Wetherall is the Chief Executive Officer.	Complies.
2.4	The board should establish a nomination committee.	Given the size of the Board, it was determined that the Board will execute the functions of a nomination committee and that a separate nomination committee is unnecessary.	Does not comply for reasons given under 2.6 below.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Company did not conduct a performance evaluation of the Board, and has not adopted a performance evaluation policy.	Does not comply. Refer 1.2 above.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	This information has been disclosed (where applicable) in the Directors' Report in the Company's Annual Report. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the Company. The Board carries out the functions of a nomination committee. In accordance with the information suggested in Guide to Reporting on Principle 2, the Company has disclosed full details of its Directors in the	Does not comply. Given the size of the Board, the Directors determined that it will execute the functions of a nomination committee and that a separate nomination committee is unnecessary. In addition, the Board does not consist of a majority of independent directors however the skills and experience of both the independent and non-independent directors allows the Board to act in the best interests of shareholders.

	PRINCIPLIES & RECOMENDATIONS	COMPLIANCE	COMPLY
	PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE CONTINUED		
2.6		Directors' Report. Other disclosure material as suggested in Guide to Reporting on Principle 2 has been made available on the Company's website.	
	PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Board has adopted a code of conduct that is contained within the Board charter. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code of conduct is encompassed within the Board Charter and is available on the Company's website.	Complies
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Company has adopted a Diversity Policy.	Complies.
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	The information is disclosed in the Annual Report.	Complies.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The information is disclosed in the Annual Report.	Complies.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	The code of conduct and securities trading policy are available on the Company's website. The securities trading policy is summarised in this Corporate Governance Statement.	Complies.
	PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
4.1	The board should establish an audit committee.	An audit committee has not been established by the Board	Does not comply. Given the size of the Board, the Directors determined that it will execute the functions of an audit committee and that a separate audit committee is unnecessary

	PRINCIPLIES & RECOMENDATIONS	COMPLIANCE	COMPLY
	PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING CONTINUED		
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	The full board is made up of four members, one of whom is an executive director, and three are non-executive directors, two of which are considered independent.	Does not comply, for reasons given in 4.1 above.
4.3	The audit committee should have a formal charter.	An audit committee has not been established by the Board. The functions of an audit committee are reserved for the Board and operate under the Board Charter	Does not comply, for reasons given in 4.1 above.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	The functions associated with safeguarding the integrity in financial reporting are carried out by the Board; is encompassed within the Board Charter which is available on the Company's website and summarised in this Corporate Governance Statement	Does not comply, for reasons given in 4.1 above.
	PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the Company's website.	Complies.
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	The Company's continuous disclosure policy is available on the Company's website	Complies.
	PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website www.lucapa.com.au, annual report, road shows, presentations, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings. This policy is available on the Company's website.	Complies.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company's shareholder communications policy is available on the Company's website.	Complies.
	PRINCIPLE 7 - RECOGNISE AND MANAGE RISK		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has not adopted a risk management statement.	Does not comply. However ultimate responsibility for risk oversight and risk management rests with the Board and operates under the Board Charter.

	PRINCIPLIES & RECOMENDATIONS	COMPLIANCE	COMPLY
	PRINCIPLE 7 - RECOGNISE AND MANAGE RISK CONTINUED		
7.2	he board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received a declaration under section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Financial Accountant (CFO equivalent) that the financial accounting system is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	The Board has not adopted an audit and risk charter, however has identified key risks within the business.	Complies.
	PRINCIPLE 8 - RENUMERATE FAIRLY AND RESPONSIBLY		
8.1	The board should establish a remuneration committee.	The Board has not established a remuneration committee and has not adopted a remuneration charter.	Does not comply. Given the size of the Board, the Directors have determined that it will execute the functions of a remuneration committee and that a separate remuneration committee is unnecessary.
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent director • has at least three members	The full Board is made up of four. An executive director and three non-executive directors, two of whom are considered independent.	Does not comply, for reasons given in 8.1 above.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration.	Complies.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The Board has not adopted a remuneration committee charter. The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Does not comply. Given the size of the Board, the Board has determined that it will execute the functions of a remuneration committee and that a separate remuneration committee is unnecessary. With respect to this compliance issue, the Board will review its position annually.

In AUD	Note	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Finance income	7	1,163	2,223
Consulting expenses		(233,606)	(51,331)
Depreciation expense		(2,959)	(2,347)
Employee benefits expenses	5	(1,187,889)	(698,517)
Other expenses	6	(1,176,607)	(423,057)
Loss before income tax		**(2,599,898)**	**(1,173,029)**
Income tax expense	9	-	-
Loss after income tax for the period		**(2,599,898)**	**(1,173,029)**
Other comprehensive income		-	-
Total other comprehensive income for the period		-	-
Total comprehensive income for the period attributable to owners of the company		**(2,599,898)**	**(1,173,029)**
Loss per share			
Basic (loss) per share (cents)	10	(1.6)	(1.0)
Diluted (loss) per share (cents)	10	(1.6)	(1.0)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

In AUD	Note	31 Dec 2014	31 Dec 2013
Assets			
Cash and cash equivalents	17a	1,498,693	305,960
Trade and other receivables	11	34,601	78,819
Other assets		60,000	-
Total current assets		**1,593,294**	**384,779**
Deferred exploration and evaluation costs	12	36,802,511	28,344,568
Property, plant and equipment	13	14,491	10,601
Total non-current assets		**36,817,002**	**28,355,169**
Total assets		**38,410,296**	**28,739,948**
Liabilities			
Trade and other payables	14	753,201	1,463,304
Provisions	15	706,120	-
Total current liabilities		**1,459,321**	**1,463,304**
Total liabilities		**1,459,321**	**1,463,304**
Net assets		**36,950,975**	**27,276,644**
Equity			
Share capital	16	76,239,506	64,130,565
Reserves	16	546,888	1,896,623
Accumulated losses		(39,835,419)	(38,750,544)
Total equity		**36,950,975**	**27,276,644**

The statement of financial position is to be read in conjunction with the accompanying notes.

In AUD	Share capital	Reserves	Accumulated losses	Total
Balance at 1 March 2013	**61,836,670**	**1,815,963**	**(37,878,455)**	**25,774,178**
Total comprehensive income for the year				
Loss for the period	-	-	(1,173,029)	(1,173,029)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(1,173,029)**	**(1,173,029)**
Transactions with owners, recorded directly in equity				
Issue of share capital	2,672,947	-	-	2,672,947
Expiry of options	-	(300,940)	300,940	-
Share issue expenses	(379,052)	-	-	(379,052)
Share based payments	-	381,600	-	381,600
Total transactions with owners	**2,293,895**	**80,660**	**300,940**	**2,675,495**
Closing balance at 31 Dec 2013	**64,130,565**	**1,896,623**	**(38,750,544)**	**27,276,644**
Balance at 1 January 2014	**64,130,565**	**1,896,623**	**(38,750,544)**	**27,276,644**
Total comprehensive income for the period				
Loss for the period	-	-	(2,599,898)	(2,599,898)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(2,599,898)**	**(2,599,898)**
Transactions with owners, recorded directly in equity				
Issue of share capital	12,334,025	-	-	12,334,025
Issue of options	-	451,202	-	451,202
Expiry of options	-	(1,515,023)	1,515,023	-
Transfer of reserves on exercise of options	285,914	(285,914)	-	-
Share issue expenses	(510,998)	-	-	(510,998)
Total transactions with owners	**12,108,941**	**(1,349,735)**	**1,515,023**	**12,274,229**
Closing balance at 31 Dec 2014	**76,239,506**	**546,888**	**(39,835,419)**	**36,950,975**

The statement of changes in equity is to be read in conjunction with the accompanying notes.

In AUD	Note	31 Dec 2014 (12 months)	31 Dec 2013 (12 months)
Cash flows from operating activities			
Cash paid to suppliers and employees		(2,906,738)	(1,109,507)
Interest received		1,163	2,223
Net cash used in operating activities	17b	**(2,905,575)**	**(1,107,284)**
Cash flows from investing activities			
Payments for exploration costs		(8,169,072)	(3,618,498)
Payments for property, plant and equipment		(6,849)	-
Net cash used in investing activities		**(8,175,921)**	**(3,618,498)**
Cash flows from financing activities			
Proceeds from investors for share capital		12,334,025	2,672,947
Proceeds from issue of options		451,202	63,600
Share issue costs	16	(510,998)	(61,052)
Net cash generated from financing activities		**12,274,229**	**2,675,495**
Net increase / (decrease) in cash and cash equivalents		1,192,733	(2,050,287)
Cash and cash equivalents at beginning of period		305,960	2,356,247
Cash and cash equivalents at end of period	17a	**1,498,693**	**305,960**

The statement of cash flows is to be read in conjunction with the accompanying notes.

1. Reporting entity

Lucapa Diamond Company Limited (the 'Company') is a company domiciled and incorporated in Australia. The address of the Company's registered office is 34 Bagot Road, Subiaco WA 6008. The Company is primarily involved in the mining and exploration of diamond projects in Africa, specifically Angola.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on the date of the directors' report.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for equity settled share-based payments. The methods used to determine fair values of equity settled share-based payments are discussed further in Note 3. The financial statements have been prepared on the going concern basis.

Going concern basis

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst the Company has achieved exploration success at the Lulo Project, the directors recognise that the Company will have to seek additional funding in order to continue to exploit and develop the Lulo Project.

The Company recorded a loss of $2,599,898 for the year ended 31 December 2014 and had net assets of $36,950,975 as at 31 December 2014 (Dec 2013: loss of $1,173,029 for the 10 month period and net assets of $27,276,644).

On 27 February 2015 the Company announced that an investment group had completed their detailed operational, technical and resource potential reviews as part of their due diligence and had formally advised the Company that no material concerns or fatal flaws were raised. The investment group further confirmed the US$15 million bridge finance facility offer will remain in place for a further three months to enable the Company to complete the gazetting and incorporation formalities which are required to provide the necessary in-country security for the investment group. The Company further announced that it had successfully raised $4.8 million via the issue of new shares to enable the Company to continue ramping up alluvial diamond mining operations at Lulo. The placement involved the issue of 24 million ordinary fully paid shares at an issue price of 20 cents per share, with an attached one-for-one listed option, exercisable at 30 cents on or before 29 August 2015 at no additional cost, subject to shareholder approval at a general meeting to be convened on 17 April 2015.

The ability of the Company to continue to pay its debts as and when they fall due for a twelve month period from the date the financial report is signed is dependent upon:

- continued cash management according to exploration success; and
- the placement of securities under the ASX Listing Rule 7.1, or otherwise

The Directors believe that the above funding strategies can be achieved and the going concern basis is appropriate for the following reasons:

- The Company operates on a program of income and expenditure designed to ensure that there are at all times sufficient funds in hand to continue operations for the foreseeable future, whilst at the same time continuing the exploration at Lulo in an effective manner; and
- The historical ability of the Company to raise capital via equity placements and capital raisings given the prospectivity of the Lulo Project.

However, should the Company be unable to obtain sufficient funding as advised above, there is a material uncertainty which may cast doubt as to whether or not the Company will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(c) Functional and presentation currency

These financial statements are presented in Australian Dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

The Company adopted all new or revised accounting standards that became effective for reporting periods commencing on 1 January 2014. The adoption of these standards has not resulted in any material changes to the Company's accounting policies.

Other standards that have been issued but are not yet effective are considered to have no significant effect on the financial statements.

(a) Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in the statement of profit or loss and other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

When a foreign operation is disposed of in part or in full, the relevant amount in equity is transferred to the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity.

(b) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(k).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital

Equity instruments, including preference shares, issued by the Company are recorded at the proceeds received. Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the Statement of profit or loss and other comprehensive income.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaces part is derecognised. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense incurred.

Depreciation

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

Computer equipment	3 years
Office equipment	5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Deferred exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the right to tenure of each identifiable area of interest are current, and either the costs are expected to be recouped through successful development of the area, or activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the exploration assets are currently not available for use they are not amortised.

Exploration and evaluation assets are initially measured at cost and include acquisition of mining tenements, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation of assets used in exploration activities. General and administrative costs are only included in the measurement of exploration costs where they are related directly to operational activities in a particular area of interest.

Deferred exploration and evaluation costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of profit or loss and other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of profit or loss and other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount dies not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

Short-term employee benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs: that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payment transactions

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Revenue

Provision of services

Revenue from services rendered is recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

Sale of non-current assets

The net gain/(loss) on the sale of non-current assets is included as revenue or expense at the date control of the assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(j) Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's balance sheet.

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance income and expenses

Finance income and expenses comprises interest income on funds invested, interest expense on borrowings calculated using the effective interest method and unwinding of discounts on provisions.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method. All borrowing costs are recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit (loss) for the period. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST or VAT included.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST and VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(n) Segment reporting

The Company determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Company's chief operating decision maker.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company engages in business activities within one segment, being the exploration of diamond projects in Africa. The Company maintains an administrative office in Western Australia to support and promote the exploration activities in Africa.

(o) Adoption of new and revised accounting standards

The Company has chosen not to early-adopt any accounting standards and interpretations that have been issued, but are not yet effective. The Company has carefully considered each accounting standard that has been issued but is not yet effective and does not consider any of the pronouncements to have a material impact on the financial statements. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the accounting treatment in the current or future reporting periods and on foreseeable future transactions.

(p) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares of the Company during the period. Diluted loss per share is determined by adjusting the net loss attributable to the ordinary shareholders and the number of shares outstanding for the effects of all dilutive potential shares, which comprise share options.

(q) Accounting estimates and judgements

Management discusses with the Board the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation assets

The Company assesses the carried value of exploration and evaluation assets in accordance with the accounting policy noted above. As noted in that policy, the basis of carrying value involves numerous estimates and judgements resulting from the assessment of ongoing exploration activities.

Share-based payment transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Where required, the fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions as set out within Note 15. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Provisions for rehabilitation

Included in liabilities at the end of each reporting period is an amount that represents an estimate of the cost to rehabilitate the land upon which the Company has carried out its exploration and evaluation for mineral resources. Provisions are measured at the present value of management's best estimate of the costs required to settle the obligation at the end of the reporting period. Actual costs incurred in future periods to settle these obligations could differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, and discount rates could affect the carrying amount of this provision

Impairment

The Company assesses impairment at the end of each reporting year by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations which incorporate various key assumptions.

(r) Determination of fair values

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of options issued is measured using the Black-Scholes option pricing formula or direct method. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

4. Segment reporting

The Company determines and presents operating segments based on the information that is internally provided to the Board, which is the Company's "chief operating decision maker."

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company engages in business activities within one segment, being the exploration of diamonds in Angola. The Company maintains an administrative office in Western Australia to support and promote the exploration activities in Angola.

All transactions disclosed in the statement of profit or loss and other comprehensive income during the year to 31 December 2014 and the period to 31 December 2013, relate to the administration and management of the Company, in Western Australia. Assets and Liabilities of the business are split as follows:

As at 31 December 2014:

In AUD	**Australia (Overhead)**	**Angola (Exploration and Evaluation)**	**Total**
Assets			
Cash and cash equivalents	1,498,693	-	1,498,693
Trade and other receivables	34,601	-	34,601
Other assets	60,000	-	60,000
Total Current Assets	1,593,294	-	1,593,294
Deferred exploration costs	-	36,802,511	36,802,511
Property, plant & equipment	14,491	-	14,491
Total Non-Current Assets	14,491	36,802,511	36,817,002
Liabilities			
Trade and other payables	78,459	674,742	753,201
Provisions	-	706,120	706,120
Total Liabilities	78,459	1,380,862	1,459,321

As at 31 December 2013:

In AUD

	Australia (Overhead)	**Angola (Exploration and Evaluation)**	**Total**
Assets			
Cash and cash equivalents	305,960	-	305,960
Trade and other receivables	78,819	-	78,819
Total Current Assets	384,779	-	384,779
Deferred exploration costs	-	28,344,568	28,344,568
Property, plant & equipment	10,601	-	10,601
Total Non-Current Assets	10,601	28,344,968	28,355,169
Liabilities			
Trade and other payables	371,313	1,091,997	1,463,310
Total Liabilities	371,313	1,091,997	1,463,310

5. Employee benefits expenses

In AUD	**31 Dec 2014 (12 months)**	**31 Dec 2013 (10 months)**
Wages, salaries and director remuneration	992,956	687,215
Bonus	40,208	-
Superannuation costs	69,448	11,302
Other associated employee expenses	85,277	-
	1,187,889	**698,517**

6. Other expenses

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Administrative expenses	594,691	269,955
Company Secretarial expense	127,500	50,000
Travel expense	155,616	16,423
Settlement expense	170,585	-
Operating lease rental expense	128,215	86,679
	1,176,607	**423,057**

7. Finance income

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Finance income		
Interest on bank deposits	1,163	2,223
	1,163	**2,223**

8. Auditors remuneration

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Audit services:		
Audit and review of financial reports (Somes Cooke)	38,000	38,000
	38,000	**38,000**

9. Income tax (benefit) expense

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Current tax expense		
Domestic	-	-
Foreign	-	-
	-	-
Deferred tax expense		
Domestic	-	-
Foreign	-	-
	-	-
Total income tax expense	-	-

Numerical reconciliation between income tax expense and loss before income tax

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Loss for the period	(2,599,898)	(1,173,029)
Total income tax (benefit) expense	-	-
Loss excluding income tax	**(2,599,898)**	**(1,173,029)**
Income tax benefit using the Company's domestic tax rate of 30% (Dec 2013: 30%)	(779,970)	(351,909)
Non-deductible expenses	210,538	25,804
Current year tax losses not recognised	607,791	-
Recognition of previously unrecognised prior year tax losses	-	877,801
Movement in unrecognised temporary differences	(10,252)	(524,159)
Deductible equity raising costs	(28,107)	(27,537)
Income tax (benefit) / expense	-	-

Deferred tax assets not brought to account

As at 31 December 2014, the Company had estimated tax losses of approximately $10,075,703 (31 Dec 2013: $9,421,713), which may be available to be offset against taxable income in future years. The availability of these losses is subject to satisfying Australian taxation legislative requirements. The deferred tax asset attributable to tax losses has not been brought to account in these financial statements because the directors believe it is not presently appropriate to regard realisation of the future income tax benefits as probable. The deferred tax assets have not been brought to account in respect to the following:

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Tax revenue losses	3,371,009	2,727,168
Tax capital losses	6,613,582	6,613,582
Deductible temporary differences	91,112	80,963
	10,075,703	**9,421,713**

10. Loss per share

Basic loss per share

	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Basic loss per share (cents) [(i)]	1.6	1.0

The calculation of basic loss per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of $2,599,898 (31 December 2013: $1,173,029) and a weighted average number of ordinary shares outstanding of 161,188,803 (2013: 112,732,057), calculated as follows.

Weighted average number of shares

	31 Dec 2014	31 Dec 2013
Issued ordinary shares at beginning of period [(i)]	128,420,107	106,145,552
Effect of shares issued on weighted average	32,768,696	6,586,505
Weighted average number of ordinary shares held during the period	**161,188,803**	**112,732,057**

Note

(i) During the year to 31 December 2014, the Company consolidated its share capital on a 30 to 1 basis. The comparatives have been restated to show the effect as if the shares had always been consolidated.

Diluted loss per share

	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Diluted loss per share (cents)	1.6	1.0

The Company is in a loss making position and it is unlikely that the conversion to, calling of, or subscription for, ordinary share capital in respect of potential ordinary shares would lead to diluted earnings per share that shows an inferior view of the earnings per share. For this reason, the diluted loss per share is the same as the basic loss per share.

11. Trade and other receivables

In AUD	31 Dec 2014	31 Dec 2013
Current		
GST receivable	31,154	30,598
Other current receivables	3,447	48,221
	34,601	**78,819**

The Company's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 20.

12. Deferred exploration and evaluation costs

In AUD	31 Dec 2014	31 Dec 2013
Cost		
Balance at beginning of period	28,344,568	23,634,079
Exploration costs incurred in the period	8,457,943	4,710,489
Balance at end of period (i)	**36,802,511**	**28,344,568**

Note

(i) This balance represents the cumulative amount of costs incurred by the Company in relation to the Lulo Project. All of the funds advanced to the Lulo Project have been spent on diamond exploration and evaluation and the purchase of plant and equipment required for these activities. The recoupment of funds advanced to the Lulo Project carried forward is dependent upon the successful development and commercialisation of the areas being explored and evaluated. In the event of a commercial diamond mining operation being established on the Lulo Project in the future, the Angolan government has agreed that all alluvial and kimberlite exploration and development funds that the Company has transferred to the Lulo Project should be reimbursed to the Company from each of the mining operations.

13. Property, plant and equipment

In AUD	Computer Equipment	Office Equipment	Total
Cost			
Balance at 1 March 2013	7,518	17,716	25,234
Additions	-	-	-
Balance at 31 December 2013	**7,518**	**17,716**	**25,234**
Balance at 1 January 2014	7,518	17,716	25,234
Additions	5,123	1,919	7,042
Disposal	-	(1,000)	(1,000)
Balance at 31 December 2014	**12,641**	**18,635**	**31,276**
Depreciation			
Balance at 1 March 2013	5,169	7,117	12,286
Depreciation for the period	612	1,735	2,347
Balance at 31 December 2013	**5,781**	**8,852**	**14,633**
Balance at 1 January 2014	5,781	8,852	14,633
Depreciation accumulated for the year, net of disposals	1,181	971	2,152
Balance at 31 December 2014	**6,962**	**9,823**	**16,785**
Carrying amounts			
At 1 March 2013	2,349	10,599	12,948
At 31 December 2013	1,737	8,864	10,601
At 31 December 2014	5,679	8,812	14,491

14. Trade and other payables

In AUD	31 Dec 2014	31 Dec 2013
Trade payables	53,459	107,617
Accruals and other payables(i)	699,742	1,355,687
	753,201	**1,463,304**

Note

(i) Included within other payables is an amount of $674,742, which represents the value of Lulo Project liabilities, of which it is operator. The majority of the payable amount relates to historical payroll taxes on staff salaries at Lulo, owed to the Angolan government. Note that this would be offset by an equal and opposite asset to be reimbursed from free cash flows of any established mining operations.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

15. Provisions

In AUD	31 Dec 2014	31 Dec 2013
Provision for environmental rehabilitation(i)	706,120	-
	706,120	**-**

Note

(i) The provision relates to the Lulo Projects, of which the Company is the operator. This would be offset by an equal and opposite asset to be reimbursed from free cash flows of any established mining operations. The provision is measured at the present value of management's best estimate of the costs required to settle the obligation at the end of the reporting period. Actual costs incurred in future periods to settle these obligations could differ materially from these estimates.

16. Share capital and reserves

In AUD	31 Dec 2014	31 Dec 2013
Issued and ordinary fully paid shares	76,239,506	64,130,565

Movement in ordinary shares

In shares		Ordinary shares		AUD	
	Note	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
On issue at beginning of period		3,852,603,212	3,184,366,555	64,130,565	61,836,670
Issue of shares for cash	(i)	925,000,000	668,236,657	5,550,000	2,672,947
Consolidation 1:30		(4,618,348,305)	-	-	-
Issue on exercise of options, including transfer from options reserve	(i)	22,617,835	-	7,069,939	-
Transaction expenses		-	-	(510,998)	(379,052)
On issue at end of period		**181,872,742**	**3,852,603,212**	**76,239,506**	**64,130,565**

Note
(i) The Company issued the following shares and options during the period to 31 December 2014.

Transaction	Number	Issue/ exercise price ($)	Funds raised ($)	Option expiry
Issue of shares [(ii)]	925,000,000	0.006	5,550,000	N/A
Issue of options [(ii)]	537,500,000	0.01	-	29 August 2015
Issue of options	90,240,470	0.005	451,202	29 August 2015
Exercise of options	22,617,835	0.30	6,784,025	N/A
Expiry of options	4,166,668	0.57	-	25 September 2014
Expiry of options	833,334	0.90	-	2 December 2014

Note
(ii) Pre-consolidation.

Terms and conditions

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Unissued ordinary shares of the Company under option at 31 December 2014 were:

Expiry date	Exercise price	Number of shares
29 August 2015	$0.30	112,054,385

Lapse of options

The following options over ordinary shares lapsed during the financial period:

Expiry date	Exercise price	Number of shares
25 September 2014	$0.57	4,166,668
2 December 2014	$0.90	833,334

Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the period:

	31 Dec 2014 No.	31 Dec 2014 WAEP
Outstanding at 1 January 2014	945,436,657	$0.012
Consolidation 1:30	(913,921,572)	-
Granted during the period	108,157,137	$0.30
Exercised during the period	(22,617,835)	$0.30
Expired during the period	(5,000,002)	$0.625
Outstanding at 31 December 2014	112,054,385	$0.30
Exercisable at 31 December 2014	112,054,385	$0.30

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 is 0.67 years.

Reserves

In AUD	Share-based payments reserve	Option premium reserve	Total
Balance at 1 March 2013	942,963	873,000	1,815,963
Expiry of options	(300,940)	-	(300,940)
Share based payments	-	381,600	381,600
Balance at 31 December 2013	642,023	1,254,600	1,896,623
Expiry of options	(642,023)	(873,000)	(1,515,023)
Share based payments	-	451,202	451,202
Exercise of options	-	(285,914)	(285,914)
Balance at 31 December 2014	**-**	**546,888**	**546,888**

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of equity instruments issued to employees as compensation and issued to external parties for the receipt of goods and services. This reserve will be reversed against issued capital when the underlying shares are converted.

Option premium reserve

The option premium reserve records amounts paid by shareholders in acquiring options over ordinary shares. The balance in the option premium reserve is transferred to issued capital on option conversion and transferred to accumulated losses on option expiry.

17a. Cash and cash equivalents

In AUD	31 Dec 2014	31 Dec 2013
Bank balances	1,498,693	305,960

The Company's exposure to interest rate risk is discussed in Note 20.

17b. Reconciliation of cash flows from operating activities

In AUD	31 Dec 2014 (12 months)	31 Dec 2013 (10 months)
Loss for the period	(2,599,898)	(1,173,029)
Adjustments for:		
Depreciation expense	2,959	2,347
Operating loss before changes in working capital and provisions	**(2,596,939)**	**(1,170,682)**
Increase/(decrease) in trade and other receivables	44,218	(13,801)
(Increase) in other assets	(60,000)	
(Decrease)/increase in trade and other payables relating to operating activities	(292,853)	77,199
Net cash used in operating activities	**(2,905,574)**	**(1,107,284)**

17c. Non cash financing and investing activities

There were no non-cash financing and investing activities during this period.

18. Contingent liabilities

The Company did not have any contingent liabilities as at 31 December 2014 (31 Dec 2013: Nil).

19. Commitments

Capital commitments

In AUD	31 Dec 2014	31 Dec 2013
Approved, not yet contracted for:		
Less than one year	-	-
Between one and five years	-	-
	-	-

20. Financial risk management

The Company has exposure to credit, liquidity and market risks from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Commodity price risk

The Company is focused on its Angolan diamond mining and exploration interests in the Lulo Project. Accordingly, the Company is exposed to the global pricing structures of the global diamond market.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are not in the entity's functional currency. The company does not use hedging, or any other active risk reduction strategy, in managing its foreign exchange risk.

The functional and presentation currency of the Company is Australian Dollars.

The Company's exposure to foreign currency risk at balance date was a follows, based on notional amounts:

In AUD	**31 Dec 2014**	**31 Dec 2013**
Liabilities		
Trade and other payables	(753,201)	(1,463,304)
Provisions	(706,120)	-
Net balance sheet exposure	**(1,459,321)**	**(1,463,304)**

The potential returns from exploration and evaluation activities (see Note 12), should there be successful development of profitable diamond mining in the future at the Lulo Project, are liable to foreign exchange fluctuations as the monies advanced are denominated in United States Dollars, which continues to fluctuate against the Australian Dollar.

Cash flow interest rate risk

Cash flow interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments.

The Company is not exposed to significant interest rate risk. Any residual cash flow interest rate risk is in relation to the Company's cash and cash equivalent balances. The Company does not currently use derivatives to mitigate these exposures.

The following table details the Company's exposure to interest rate risk on its interest-bearing financial instruments at 31 December 2014.

			Fixed Interest Rate Maturity				
	Average Interest Rate %	**Variable Interest Rate A$**	**Less than 1 Year A$**	**1 to 5 Years A$**	**More than 5 Years A$**	**Non-Interest Bearing A$**	**Total A$**
Financial Assets							
Cash	2.69	1,498,693	-	-	-	-	1,498,693
Trade and other receivables		-	-	-	-	34,601	34,601
Other assets	3.38	-	60,000	-	-	-	60,000
		1,498,693	60,000	-	-	34,601	1,593,294
Financial Liabilities							
Trade and other payables	-	-	-	-	-	753,201	753,201
		-	-	-	-	**753,201**	**753,201**

The following table details the Company's exposure to interest rate risk on its interest-bearing financial instruments at 31 December 2013.

	Average Interest Rate %	Variable Interest Rate A$	Fixed Interest Rate Maturity: Less than 1 Year A$	1 to 5 Years A$	More than 5 Years A$	Non-Interest Bearing A$	Total A$
Financial Assets							
Cash	2.65	305,960	-	-	-	-	305,960
Trade and other receivables	-	-	-	-	-	78,819	78,819
		305,960	**-**	**-**	**-**	**78,819**	**384,779**
Financial Liabilities							
Trade and other payables	-	-	-	-	-	1,463,304	1,463,304
		-	-	-	-	**1,463,304**	**1,463,304**

Cash flow sensitivity analysis for variable rate instruments

The sensitivity analysis below has been prepared to demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant through the impact on floating rate interest rates.

A change of 100 basis points in interest rates at the reporting date would not have a material impact on the statement of profit of loss and other comprehensive income. There would be no effect on the equity reserves other than those directly related to statement of profit of loss and other comprehensive income. The analysis is performed on the same basis as for the period ended 31 December 2013.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's potential concentration of credit risk mainly relates to amounts advanced to the Lulo Project (Note 12). The Company's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by their carrying values as at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

In AUD	31 Dec 2014	31 Dec 2013
Trade and other payables		
- Within one year	753,201	753,201
- One to five years	-	-
- Greater than five years	-	-
Total	**753,201**	**753,201**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. The Company's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

Fair value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

The financial assets and liabilities included in the assets and liabilities of the Company approximate net fair value, determined in accordance with the accounting policies disclosed in Note 3 to the financial statements.

21. Related parties

Key management personnel compensation

The key management personnel compensation included in employee benefits expense (see Note 5) is as follows:

In AUD	**31 Dec 2014 (12 months)**	**31 Dec 2013 (10 months)**
Short-term employee benefits	555,729	297,417
Post-employment benefits	24,959	8,383
	580,688	**305,800**

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no other material contracts involving directors interests at period-end.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Other related party transactions

An amount of $127,978 (31 Dec 2013: $93,416) was paid to The Bagot Road Property Partnership, associated with director Miles Kennedy, relating to office rent and associated costs during the period. An amount of $839,846 (31 December 2013 :$495.573) was paid to the Bagot Road Group Pty Ltd, a company 50% owned by director Miles Kennedy until 31 May 2014 and thereafter wholly owned, being disbursements made by Bagot Road Group Pty Ltd relating to the provision of contract staff including a director Albert Thamm, payroll and BAS services. This contract arrangement with Bagot Road Group Pty Ltd was terminated on 1 December 2014 when all staff were transferred to the Lucapa Diamond Company's payroll. An amount of $84,626 was paid to RNI NL, a Company associated with directors Miles Kennedy and Albert Thamm, relating to shared office services during the period. Payments for the provision of director services, as disclosed within remuneration in the directors' report, were paid to Ascidian Prospecting Pty Ltd and Turnicate Consulting, entities associated with director David Jones.

22. Subsequent events

On 21 January 2015 the Company announced it had signed a term sheet for a US$15 million bridge financing facility with a well established mining investment company. The term sheet is for a 12 month bridge facility and remains subject to the satisfactory completion of due diligence, investment approvals, security and customary legal documentation.

On 22 January 2015 the Company announced the successful commencement of alluvial diamond mining at the Lulo Diamond Concession. The Company had completed the preliminary processing of mining at the block 29 area which produced a highly encouraging diamond in-situ grade of 17.33 carats per 100 cubic metres. A total of 286 diamond weighing 266.70 carats were recovered from block 29 over the first 8 days of alluvial mining.

On 27 February 2015 the Company announced that the investment group had completed their detailed operational, technical and resource potential reviews of part of the due diligence and has formally advised the Company that no material concerns or fatal flaws were raised. The investment group further confirmed the US$15 million bridge finance facility offer will remain in place for a further three months to enable the Company to complete the gazetting and incorporation formalities which are required to provide the necessary in-country security for the investment group. The Company further announced that it had successfully raised $4.8 million via the issue of new shares to enable the Company to continue ramping up alluvial diamond mining operations at Lulo. The placement involved the issue of 24 million ordinary fully paid Lucapa shares at an issue price of 20 cents per share, with an attached one-for-one listed option, exercisable at 30 cents on or before 29 August 2015 at no additional cost, subject to shareholder approval at a general meeting to be convened on 17 April 2015.

On 10 March 2015 the Company announced that earthmoving equipment had been mobilised to the BLK_08 and BLK_06 & 19 areas at the Lulo diamond Concession in Angola to prepare for mining of these high grade areas. The company also announced that the planned sale of the third parcel of diamonds has been deferred to March/April to potentially benefit from more favourable market conditions and possibly supplement additional diamonds to increase the parcel size.

On 23 March 2015 the Company announced that the Company was preparing to commence the next phase of its kimberlite exploration program at the Lulo Diamond Concession in Angola. The aim of the 24 month program is to build on the positive exploration results achieved to date to further evaluate the known diamondiferous pipes at Lulo and explore for other possible kimberlite sources. The new kimberlite program will be undertaken in two stages, the first of which will commence in April 2015 and continue through the June quarter at a budgeted cost of $500,000. The second stage is scheduled to commence in the September 2015 quarter and will include the progressive drilling and sampling of 48 priority targets in the main western kimberlite provence at Lulo.

Other than the above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

1. In the opinion of the directors of Lucapa Diamond Company Limited ("the Company"):

   (a) the financial statements and notes, and the remuneration report in the Directors' Report, as set out on pages 10 to 46, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the financial period ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 for the financial year ended 31 December 2014.

Signed in accordance with a resolution of the directors

MILES KENNEDY
Chairman

Dated this 31st day of March 2015

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Independent Auditor's Report
To the members of Lucapa Diamond Company Limited

Report on the Financial Report

We have audited the accompanying financial report of Lucapa Diamond Company Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Lucapa Diamond Company Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 2.b), which outlines that the going concern basis is dependent upon successful completion of funding strategies to raise sufficient funds to pay Lucapa Diamond Company Limited's debts as and when they fall due.

As a result there is material uncertainty related to events or conditions that may cast significant doubt on Lucapa Dimaond Company Limited's ability to continue as a going concern, and therefore whether it will realise its asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Lucapa Diamond Company Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

Somes Cooke

Somes Cooke

Kevin Somes

Kevin Somes
31 March 2015
Perth

Additional information current as at 18 March 2015 required by Australia Securities Exchange Limited Rules and not disclosed elsewhere in this Report.

1. Capital Structure

Ordinary Share Capital
205,878,176 ordinary fully paid shares held by 4,301 shareholders.

Spread			Number of Holders	Number of Shares
1	to	1,000	335	143,166
1,001	to	5,000	1,053	3,001,006
5,001	to	10,000	632	4,882,015
10,001	to	100,000	1,655	57,423,706
100,001 and above			383	140,428,283

As at 18 March 2015 there were 862 fully paid ordinary shareholders holding less than a marketable parcel.

Options - Quoted
112,051,451 listed options expiring 29 August 2015 exercisable at $0.30 held by 2,296 option holders.

Spread			Number of Holders	Number of 29 August 2015 Options
1	to	1,000	252	132,652
1,001	to	5,000	661	1,824,705
5,001	to	10,000	344	2,577,854
10,001	to	100,000	843	26,990,308
100,001 and above			196	80,525,932

As at 18 March 2015 there were 1,483 $0.30 29 August 2015 option holders holding less than a marketable parcel.

2. VOTING RIGHTS

Ordinary Shares
On a show of hands, every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options
Options carry no voting rights. Options convert to one ordinary share upon exercise.

3. ON-MARKET BUY-BACK

There is no current on-market buy back.

4. SUBSTANTIAL SHAREHOLDERS

Fully Paid Ordinary Shares Name	Number Held	% of Issued Capital
TWYNAM AGRIC GRP PL	11,289,737	5.48

5. TOP 20 HOLDERS OF QUOTED SECURITIES

Fully Paid Ordinary Shares Name	Number Held	% of Issued Capital
TWYNAM AGRIG GRP PL	11,289,737	5.48
SLADE TECHNOLOGIES PL	4,266,668	2.07
GREGORACH PL	4,001,452	1.94
ONE DOG ONE BONE PL	2,857,446	1.39
HSBC CUSTODY NOM AUST LTD	2,453,666	1.19
DARK BENJAMIN	2,237,091	1.09
CITICORP NOM PL	2,206,436	1.07
FLEUBAIX PL	2,000,000	0.97
ADAMS PETER DANIEL	1,833,334	0.89
TT NICHOLS PL	1,740,703	0.85
PULLINGTON INV PL	1,732,600	0.84
UBS NOM PL	1,701,607	0.83
J P MORGAN NOM AUST LTD	1,482,013	0.72
TWO TOPS PL	1,250,000	0.61
GREGORACH PL	1,133,251	0.55
BAYNES ROSS SPENCE	1,119,924	0.54
ARNOLD ROBERT NICHOLAS	1,054,177	0.51
GREEN MOUNTAINS INV LTD	1,025,716	0.50
SINBAD JACKSON PL	1,008,836	0.49
PACIFIC DVLMT CAP LTD	1,000,000	0.49
	47,394,657	**23.02**

Listed Options expiring 29 August 2015 exercisable at $0.30 Name	Number Held	% of Issued Capital
TWYNAM AGRIG GRP PL	11,203,506	10.00
GREGORACH PL	3,970,131	3.54
ONE DOG ONE BONE PL	3,915,667	3.49
UBS NOM PL	2,312,500	2.06
WILLS JILLAINE	2,000,000	1.78
FINCL & BUSINESS PLANNING	1,636,906	1.46
DARK BENJAMIN	1,431,531	1.28
WOLFE A + VAN DIJKEN N	1,141,272	1.02
GREGORACH PL	1,133,977	1.01
ADAMS PETER DANIEL	1,083,334	0.97
FLEUBAIX PL	1,000,000	0.89
LAWRENCE CHRIS PAUL	1,000,000	0.89
FALVEY SARAH ANN	1,000,000	0.89
FALLON JAMES DESMOND	1,000,000	0.89
BERTHELOT YANNICK ZOWIE	972,827	0.87
SUNCITY CORP PL	900,000	0.80
CG NOM AUST PL	750,000	0.67
KHOO SEAH KEE	713,210	0.64
TT NICHOLS PL	682,531	0.61
TEXMODE PL	675,000	0.60
	38,522,392	**34.36**