



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2016

HIGHLIGHTS

ALLUVIAL DIAMOND MINING

- Angola's biggest recorded diamond – a 404 carat gem worth A\$22.5 million - recovered from Mining Block 8
- Lulo generates record quarterly gross diamond revenues of A\$32.5 million, underlining the strong global demand for large top-tier gems
- Mining Block 6 another source of large valuable diamonds, with initial recoveries including three +50 carat stones
- Initial trial mining at E46 produces two +50 carat diamonds and another fancy pink - extending to ~20km the area at Lulo known to host large alluvial diamonds of exceptional quality



404 carat Type IIa diamond from Mining Block 8

KIMBERLITE EXPLORATION

- Geophysical surveys successfully define kimberlite drilling targets at the high-priority L259 which is directly underneath an area hosting large valuable alluvial diamonds
- Lulo's own mobile drill rig arrives on site to commence drilling of L259 and surrounding kimberlites

CORPORATE

- Lucapa receives A\$8.3 million from special cash distribution
- 31 March 2016 cash balance of A\$10.7 million leaves Lucapa well-funded to advance alluvial mining and kimberlite exploration activities at Lulo

INTRODUCTION

Lucapa Diamond Company Limited (ASX: LOM) (“Lucapa” or “the Company”) operates the Lulo Diamond Project, a 3,000km² concession in Angola’s Lunda Norte diamond heartland located within 150km of Catoca, the world’s fourth biggest diamond mine.

Lucapa and its partners Endiama and Rosas & Petalas commenced alluvial diamond mining operations at Lulo in January 2015.

The March 2016 Quarter (“the Quarter”) marked another period of significant achievements at Lulo with both the alluvial diamond mining operations and the kimberlite exploration program - which aims to find the primary source, or sources, of the exceptional Lulo alluvial diamonds.

The record diamond sales achieved during the Quarter have also reinforced Lulo’s status as a producer of large and valuable gems. Special diamonds (>10.8 carats) now account for 94% of overall diamond revenues, underlining the unique nature of the Lulo diamond province and its future potential.

Lucapa is dual listed on the ASX and Frankfurt Stock Exchange. The Company has appointed Panmure Gordon & Co as its UK financial adviser.



Mobile drill rig which has arrived on site at Lulo

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ALLUVIAL DIAMOND SALES

	Q1 15	Q2 15	Q3 15	Q4 15	FY 15	Q1 16
Actual Sales (Carats)	-	2,989	2,559	3,778	9,327	1,931
Actual Sales (A\$)	-	3,666,929	1,023,644	8,091,593	12,782,166	32,499,916
Actual Price per Ct (A\$)	-	1,227	400	2,141	1,370	16,831
Actual Sales (US\$)	-	2,917,510	716,551	5,811,003	9,445,063	23,138,649
Actual Price per Ct (US\$)	-	976	280	1,538	1,013	11,983

Table 1: Quarter by quarter Lulo diamond sales since commencement of mining in January 2015

Lucapa and its partners sold alluvial diamonds totalling 1,931 carats in the Quarter in line with the strategy of generating regular and increasing cash flows (Table 1).

The 1,931 carats of Lulo diamonds achieved record gross revenues of A\$32.5 million at an exceptional average selling price per carat of A\$16,831 (US\$11,983) (Table 1). This included the A\$22.5 million (US\$16 million) sale in February 2016 of the 404 carat Lulo gem – the largest recoded diamond ever recovered in Angola.

The Quarter sales generated free cash in excess of the budgeted cash funding requirements for the Lulo alluvial mining company (Lucapa 40% and operator; Endiama 32%; Rosas & Petals 28%). As such, the Lulo partners agreed to a special cash distribution.

As announced to the ASX on 2 March 2016, Lucapa's net share of the special cash distribution totalled A\$8.3 million (US\$5.9 million).

All up, Lulo has to date generated A\$51.3 million (US\$38.1 million) in gross revenues from the sale of alluvial diamonds recovered from the mining and exploration phases at an exceptional average overall price per carat of A\$4,233 (US\$3,147).



A selection of large Lulo special diamonds sold during the Quarter

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ALLUVIAL DIAMOND MINING

	Q1 15	Q2 15	Q3 15	Q4 15	FY 15	Q1 16	Variance Q1 16 v Q1 15
Actual Treated (bulked m³)	12,912	17,264	44,009	38,402	112,587	37,208	188%
Actual Carats Recovered	1,335	1,430	3,479	2,151	8,394	3,088	131%
Actual Grade Recovered (cphm³)	10.34	8.28	7.90	5.60	7.46	8.30	-20%
Actual No of Stones Recovered	1,317	1,818	2,896	1,594	7,625	2,260	72%
Actual Avg Stone Size Recovered	1.01	0.79	1.20	1.35	1.10	1.37	35%
Specials Recovered	12	3	43	28	86	23	92%

Table 2: Quarter by Quarter alluvial mining results at Lulo since commencement of mining in January 2015

Lucapa and its partners produced 3,088 carats of diamonds in the Quarter at Lulo, an increase of 131% on the prior year quarter and 44% up on the December 2015 quarter (Table 2).

The average size of the diamonds produced in the Quarter was 1.37 carats, up from 1.01 carats in the prior year quarter and 1.35 carats in the December 2015 quarter (Table 2).

As announced to the ASX on 18 January 2015, alluvial mining operations at Lulo were impacted by plant downtime, which resulted in the loss of three weeks' production during the Quarter.

As referred to in the ASX announcement of 3 March 2016, heavy rains restricted regular access to alluvial Mining Block 8 at Lulo, which has been a regular source of large special diamonds since mining commenced in that area in August 2015.

Instead of pursuing higher volumes from lower-value alluvial mining areas, Lucapa and its partners switched focus to trial mining of higher-value areas which could be accessible during the Angolan wet season.

This strategy resulted in the successful identification of two new areas at Lulo producing large valuable diamonds – Mining Block 6 and the E46 alluvial terraces further upstream along the Caculo River.

These discoveries mean Lucapa and its partners have now identified four areas along a ~20km stretch of the Caculo River known to host high-value special diamonds - from Mining Block 31 near the Lulo camp upstream to E46 (Figure 1). This provides further evidence that Lulo is in the heart of a large diamond province.

Significantly, the Lulo alluvial mining licence covers ~51km of the Caculo River and Lucapa and its partners are yet to conduct any alluvial exploration or mining activities further upstream of E46.

The Angolan wet season generally concludes in April, after which Lucapa and its partners plan to scale up alluvial diamond production from Mining Blocks 8 and 6 to the 20,000 bulk cubic metres (bcm) per month target as ground conditions permit.

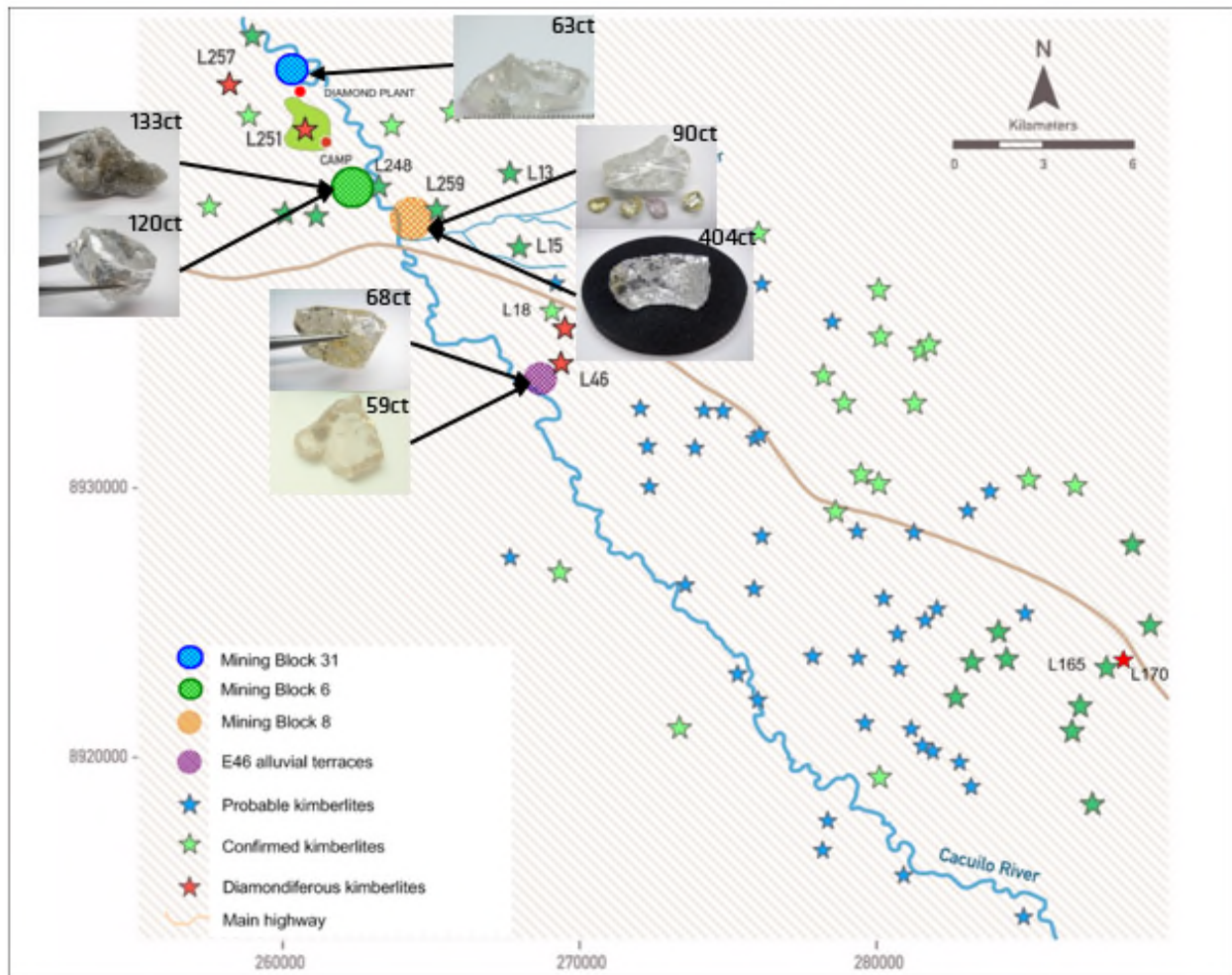


Figure 1: Map showing the known ~20km extent of large special alluvial diamond recoveries between Mining Block 31 and E46 alluvial terraces

Mining Block 6

As announced to the ASX on 22 January 2016, the initial processing of gravels from Mining Block 6 produced specials including a 133 carat diamond which, at the time, was the largest diamond recovered to date at Lulo. Mining Block 6 is located just 2km downstream of Mining Block 8 (Figure 1).

While not of high quality, the size and brittle compound nature of the 133 carat stone provided further evidence that the diamonds from this area may not have travelled far from their primary kimberlite source.

Other large special recoveries from Mining Block 6 during the Quarter included Type IIa gems weighing 120 carats and 86 carats.

By the end of the Quarter, Mining Block 6 had produced nine special diamonds.



120 carat Type IIa D-colour diamond from the new alluvial Mining Block 6 at Lulo

E46 Alluvial Terraces

As announced to the ASX on 29 March 2016, initial trial mining of gravels from the E46 alluvial terraces produced eight special diamonds, including a 68 carat Type IIa D-colour gem (Table 3).

Other specials recovered from this area subsequent to that ASX announcement included a 59 carat diamond and a 33 carat Type IIa D-colour gem (See ASX announcement 12 April 2016).

A number of pink diamonds, including a fancy to intense pink weighing 0.2 carats, were also recovered during this trial mining campaign. These pink recoveries, together with the 4 carat pink recovered in the original exploration bulk sampling, suggest the E46 diamond population should include fancy-coloured diamonds in addition to the larger high-quality gems.

Trial Mining Block E46 - March 2016 Quarter Treatment Results						
	Treated (m ³)	Carats	Stones	Diluted Recovered Grade	Stone size	Specials (>10.8 carats)
TOTAL	10,914	967.5	830	8.9	1.2	68.1ct; 30.5ct; 25.3ct; 14.7ct; 13.8ct; 12.9ct; 12.3ct; 11.4 ct

Table 3: Trial Mining Results from E46. Notes: Diamonds greater than >1.5mm recovered. These totals are included in overall Table 2 results

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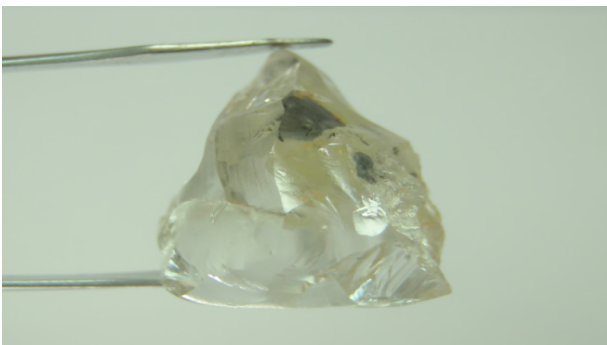
Apart from extending the area at Lulo known to produce large diamonds to ~20km, the special recoveries from E46 were also significant because the largest diamond recovered from this area during the original exploration bulk sampling phase in 2013 weighed less than 7 carats.



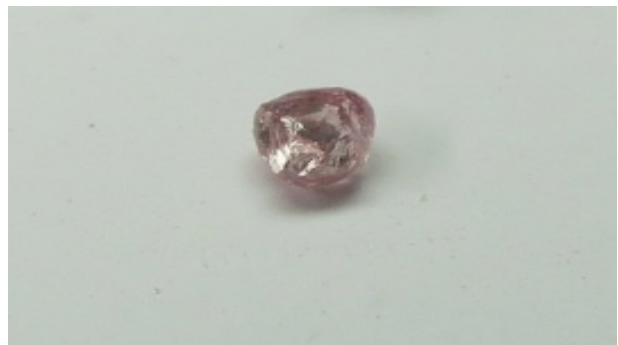
68 carat Type IIa D-colour diamond recovered from E46 alluvial terraces



59 carat diamond recovered from E46 alluvial terraces



33 carat Type IIa D-colour diamond recovered from E46 alluvial terraces



Intense-fancy pink diamond (0.2 carats) recovered from E46 alluvial terraces



Loading of alluvial gravels from E46 trial mining area at Lulo

The average size of the diamonds recovered from E46 was 1.2 carats (Table 3).

Lucapa believes the special white and fancy-coloured diamond recoveries have also enhanced the prospectivity of the diamond-bearing kimberlites L46, L19 and other kimberlite targets proximal to E46. Preliminary bulk sampling of the L46 kimberlite in 2015 produced two Type I diamonds weighing a total of 1.24 carats. The Lulo partners plan to conduct further kimberlite exploration in this area.

Mining Block 8

While access to Mining Block 8 was restricted due to the heavy rainy season, the recovery of a 404 carat Type IIa D-colour gem from this area was the highlight of the Quarter.

The 404 carat Lulo gem is the biggest recorded diamond ever found in Angola and the fourth +100 carat diamond recovered to date from the Lulo concession.

The 404 carat diamond sold for A\$22.5 million (US\$16 million), equating to a record average price per carat of A\$55,585 (US\$39,580).



The 404 carat Type IIa D-colour gem, Angola's biggest recorded diamond, which sold for A\$22.5 million (US\$16 million) during the Quarter

As previously announced, Lucapa and its partners had scheduled to install a new wet front-end module on the diamond plant in December 2015 to improve production efficiency during the wet months.

This module arrived at Lulo on schedule. However the installation was delayed while the Lulo partners reviewed plant locality options as part of plans to double alluvial diamond production to 40,000bcm/month.

Installation commenced in the Quarter and the wet front-end is scheduled to be commissioned in the June quarter.



Foundations for the new wet front-end module at the 150 tonne per hour Lulo diamond processing plant

KIMBERLITE EXPLORATION

During the Quarter, the area around Mining Blocks 8 and 6 at Lulo remained the high-priority focus of the Lulo kimberlite exploration program.

Geophysical programs completed during the Quarter included a conventional surface gravity survey and a horizontal-loop electromagnetic (EM) ground survey over the L259 target area where kimberlite material was identified in a geological pitting program in the previous quarter.

The work program also included post-survey 2D and 3D modelling of the L259 results. In addition, an orientation survey was completed over the known Lulo kimberlite L251 to assist in the interpretation of the data set.

The results and interpretation of these geophysical programs were successful in delivering the desired outcome – to delineate the body and identify targets for the upcoming drilling program at L259.

In its report, Johannesburg-based GRS Consulting concluded: *“One of the main objectives of doing the geophysical surveys was to delineate a body at L259 for drilling, and to map its size and shape. This has been achieved without a doubt, with good correlation between the gravity and EM surveys.”*

As announced to the ASX on 16 March 2016, the EM survey modelled a 78-108 hectare body beneath L259 consistent with a weathered near-surface expression of a kimberlite, or its crater, and which showed a strong correlation with the gravity surveys results (Figure 2).

In addition, the EM and gravity results also correlated well with the pits where kimberlite material was first identified at L259 (See ASX announcement 6 October 2015) (Figure 2).

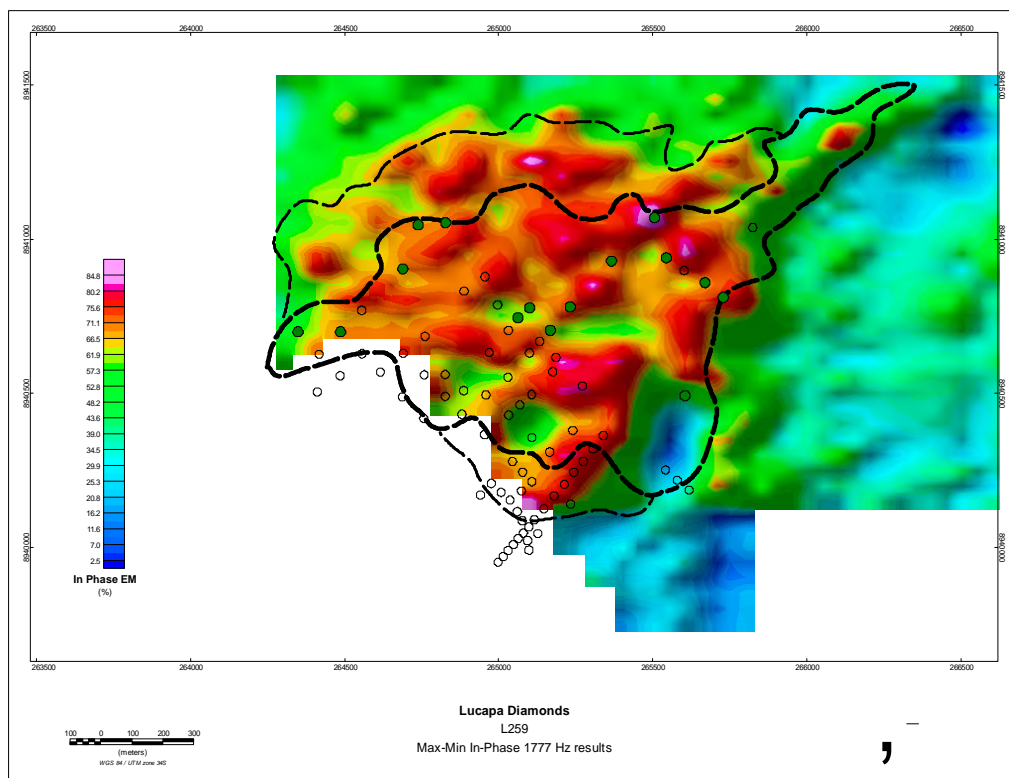


Figure 2: 2D EM conductivity (gridded 1777 Hz data) in plan, overlaid on pits and the outline of the gravity low. There is good correlation between SRVK kimberlite in pits (green circles) and the most conductive parts of the body and the gravity signature

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The geophysical programs included an extension survey to the east over kimberlite L13 and kimberlite target E217 (Figure 3). The surveys over L15, south of the Cachuma River, will be undertaken at a later date.

As previously reported, Lucapa will use the Landcruiser-mounted drill rig purchased by the Company in late 2015 to drill L259 and the surrounding targets identified in the geophysical surveys.

This multi-purpose rig has been delivered to site and drilling is scheduled to commence in April, once the work permits for the drilling crew have been issued and ground conditions permit. Lucapa will update the market when the L259 drilling program commences.

As detailed in the ASX announcement of 16 March 2016, the potential aims of this drilling program include:

1. To confirm the presence of kimberlite material in areas of coincident gravity and EM and potentially deeper beyond the survey limits;
2. To define kimberlite material suitable for sampling and treatment;
3. To extract kimberlite core samples for detailed petrographic analysis and recovery of indicator minerals - selected indicator grains may also be submitted for microprobe geochemical analysis; and
4. To assist in defining the internal geology of the body

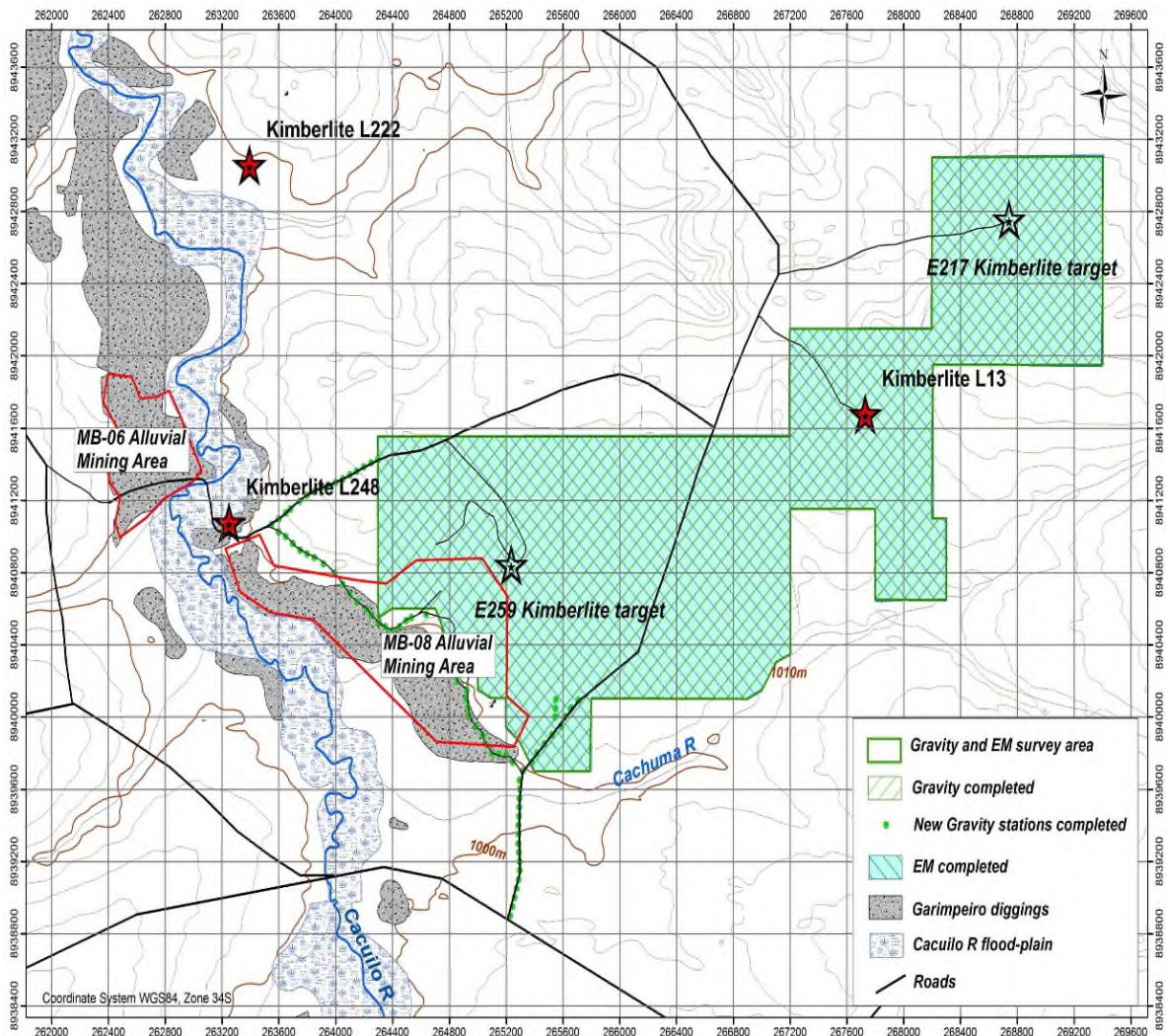


Figure 3: L259 survey area and extensions eastwards

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This L259 drilling program has been designed as a cost-effective method of testing this high-priority target. As previously mentioned, Lucapa has funded the purchase of the drilling equipment and the mobile nature of the rig means mobilisation costs are negligible.

Lucapa plans to continue its kimberlite exploration program at other proximal priority targets highlighted in the GRS Consulting report, including E217, L13 and the small magnetic dipole identified to the south. EM survey work and drilling is also planned over the L248 kimberlite located directly between alluvial Mining Blocks 8 and 6 (Figure 3).

As previously announced, the Lulo partners also intend to use the multi-purpose rig for resource extensional drilling to expand and update the JORC-compliant diamond resource estimate.

ORAPA AREA F - BOTSWANA

In late 2015, Lucapa was awarded a three-year Prospecting Licence in a competitive tender held by the Department of Mines over a 16.2km² area in the Central District of Botswana near the Orapa diamond mine. During the Quarter, Lucapa continued sourcing and reviewing historical exploration results and geological information and met with in-country service providers with a view to commencing a preliminary exploration program in 2016.

CORPORATE

As announced to the ASX on 5 February 2016, Lucapa placed the shortfall options from the Option Offer which closed on 16 November 2015. The 8.2 million 30c shortfall options were placed with supportive long-term investors who immediately paid the 30c exercise price to convert the shortfall options into ordinary Lucapa shares.

As announced to the ASX on 2 March 2016, Lucapa received A\$8.3 million (US\$5.9 million) being Lucapa's share of a special cash distribution made to the Lulo partners following the exceptional sales results in the Quarter that included the iconic 404 carat Lulo gem.

As at 31 March 2016, Lucapa's cash reserves stood at A\$10.7 million, leaving the Company well-funded to advance its alluvial diamond mining and kimberlite exploration plans.

Lucapa has 46.5 million listed \$0.30 options (LOMOB) on issue which cease trading on 22 April 2016 and expire on 29 April 2016.

For and behalf of the Board.

STEPHEN WETHERALL
CHIEF EXECUTIVE OFFICER

Schedule of Tenements as at 31 March 2016					
Country	Type	Size (km ²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	2 years	39	05/2016
Angola	Exploration (secondary) Alluvial	1,500	2 years	40	05/2016
Angola	Mining (secondary) Alluvial	1,500	10 years	40	07/2025
Botswana	Reconnaissance	16.2	3 years	75	09/2018

Competent Person's Statement

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

No New Information

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

Forward-Looking Statements

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