



**LUCAPA**  
DIAMOND COMPANY

INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

ASX Code: LOM

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#### **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**

This announcement has been prepared by the Company. This document contains background information about the Company and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement. This announcement is for information purposes only. Neither this document nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.

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No responsibility for any errors or omissions from this document arising out of negligence or otherwise is accepted. This document does include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of the Company. Actual values, results, outcomes or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements.

Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, the Company does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions or circumstances on which any such forward-looking statement is based.

## INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016 DIRECTORS' REPORT

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The directors present their report together with the financial report of Lucapa Diamond Company Limited for the six months ended 30 June 2016 and the auditor's review report thereon.

### 1. Directors

The directors of the Company at any time during or since the end of the interim period are as follows.

Name	Period of directorship
Miles Kennedy, Non-Executive Chairman	Appointed 12 September 2008
Stephen Wetherall, Chief Executive Officer/ Managing Director	Appointed 13 October 2014
Gordon Gilchrist, Non-Executive Director	Appointed 27 March 2012
Albert Thamm, Non-Executive Director	Appointed 9 May 2014

### 2. Review of operations

#### OVERVIEW

Lucapa Diamond Company Limited ("**Lucapa**" or "**the Company**") operates the Lulo Diamond Project ("**Lulo**"), a 3,000km<sup>2</sup> concession in Angola's Lunda Norte diamond heartland located within 150km of Catoca, the world's fourth biggest diamond mine.

Lulo generates strong cash flows from alluvial mining operations where it recovers large premium-value alluvial diamonds. Special diamonds account for more than 90% of overall diamond revenues, underlining the unique large diamond nature of the resource and its future potential.

Lucapa and its partners, Endiama and Rosas & Petalas, are well advanced in their search for the primary kimberlite source or sources of these exceptional alluvial diamonds, with an expanded kimberlite drilling program commencing at the end of the half year ended 30 June 2016 (June half year).

Lucapa achieved another significant milestone in the June half year when the Company reported a maiden profit of US\$3.3 million. This followed a special distribution of diamond sale proceeds to the Lulo partners, of which Lucapa's share was US\$5.9 million, net of withholding tax.

Lucapa has a strong balance sheet. The Company's significant cash balance at 30 June 2016 and revenue generating ability leave it ideally-positioned to advance and grow the Lulo project while assessing other diamond opportunities.

Lucapa has a primary listing on the ASX with a secondary listing on the Frankfurt Stock Exchange. The Company has appointed Panmure Gordon & Co as its UK financial adviser with a view to considering a possible listing on the AIM Market in London.



Angola's biggest recorded diamond – the 404 carat 4<sup>th</sup> February Stone – which was recovered at Lulo and sold for US\$16 million during the June half year

## OPERATIONAL HIGHLIGHTS

Lucapa and its partners made significant progress with both the alluvial mining and kimberlite exploration operations at Lulo during the June half year.

Highlights included:

### *Alluvial Mining*

- Recovery of Angola's biggest recorded diamond – a 404 carat Type IIa D-colour gem named the *4<sup>th</sup> February Stone* – which sold for US\$16 million (A\$22.5 million)
- Record alluvial diamond mining recoveries of 5,668 carats – including 53 specials (diamonds weighing more than 10.8 carats)
- Record gross diamond sales revenues of US\$26.1 million (A\$36.6 million) at an exceptional average price per carat of A\$7,960 (US\$5,686)
- Discovery of two new sources of large (+ 50 carat) gems at Mining Block 6 and E46 – extending to ~20km the area at Lulo known to host large premium-value alluvial diamonds
- Formal incorporation of Lulo's alluvial diamond mining company, Sociedade Mineira do Lulo, Limitada ("SML")



120 carat Type IIa D-colour gem recovered during the June half year

### *Kimberlite Exploration*

- Identification of a 78-108 hectare body (L259 kimberlite target), located directly beneath an area hosting large valuable alluvial diamonds
- Drilling program commenced to test priority kimberlite targets, starting at L259

### *Capital Upgrades & Corporate*

- Commitment to significant revenue-enhancing capital upgrades including extensive new earth moving fleet, wet front end, XRT diamond recovery technology, diamond deep boiling facility, high-security diamond recovery sort house and camp improvements
- Strong financial position, with 30 June cash balance of US\$10.7 million (A\$14.4 million) following conversion of listed LOMOB options and US\$5.9 million (A\$8.3 million) Lulo special net cash distribution received

#### ALLUVIAL DIAMOND MINING AT LULO

Lucapa and its partners achieved record diamond production of 5,668 carats at Lulo during the June half year, an increase of 105% on the corresponding six month period in 2015 (Table 1). This was despite plant downtime in January, which resulted in the loss of three weeks' production.

The record production was on the back of a 145% increase in the alluvial material treated through the 150 tonne per hour diamond plant to 73,961 bulked cubic metres (bcm).

The average stone size improved from 0.9 carats to 1.3 carats per stone, while the number of large special diamonds recovered increased 253% to 53.

The special diamond recoveries included a 404 carat Type Ila D-colour gem – Angola's largest ever recorded diamond – as well as two other +100 carat diamonds weighing 120 carats and 133 carats.



Selection of Lulo diamonds sold during the June half year, including the record 404 carat *4<sup>th</sup> February Stone*

The recovery of the 404 carat diamond from Mining Block 8 also prompted Lucapa to increase the top screen size to 55mm and order a state-of-the-art XRT large diamond recovery and sorting module, which will enable the recovery of individual diamonds of up to 1,100 carats (See Capital Upgrade Program section).

The mining improvements resulted from the investment in additional earth moving fleet and a focus on identifying higher-value areas which could also be accessed during the Angolan wet season.

The new fleet, which was delivered to site in the second half of 2015, facilitated an increase in mining capacity to more than 20,000 bcm per month during the dry mining months. Mining capacity during the wet season will average ~12,000 bcm per month.

While the heavy rains restricted regular access to alluvial Mining Block 8, Lucapa successfully identified two new areas producing large valuable diamonds – Mining Block 6 and the E46 alluvial terraces further upstream along the Caculo River.

The Mining Block 6 and E46 discoveries increased to four the number of alluvial mining areas at Lulo known to host high-value special diamonds, providing further evidence that Lulo is in the heart of a large diamond province.

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These four known areas are located along a ~20km stretch of the Caculo River – from Mining Block 31 near the Lulo camp upstream to E46. 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.

	H1 2015	H1 2016	Variance
Actual Treated m <sup>3</sup> (bulked)	30,176	73,961	145%
Actual Carats Recovered	2,765	5,668	105%
Actual Grade Recovered (cphm <sup>3</sup> )	9.2	7.7	-16%
Actual No of Stones Recovered	3,135	4,311	38%
Actual Avg Stone Size Recovered	0.9	1.3	49%
Specials Recovered	15	53	253%

Table 1: Alluvial diamond mining physicals for the June half year

#### LULO ALLUVIAL DIAMOND SALES

This “quality versus quantity” mining strategy adopted during the wet season outlined above in the Alluvial Diamond Mining section produced record gross diamond revenue of US\$26.1 million (A\$36.6 million) in the June half year (Table 2). This was generated from the sale of 4,601 carats of Lulo diamonds, an increase of 54% on the corresponding 2015 half year.

This gross sales revenue included US\$16 million (A\$22.5 million) from the sale of the record 404 carat diamond. The sale of this diamond enabled the payment to the Lulo partners of a special distribution, of which Lucapa’s net share was US\$5.9 million (A\$8.3 million) (See ASX announcement 2 March 2016).

The June half year sales represented an average price of US\$5,686 per carat (A\$7,960), underlining the premium quality of the Lulo alluvial diamond production (Table 2). The average price excluding the 404 carat 4<sup>th</sup> February Stone remained an exceptional US\$2,421 per carat (A\$3,374).

As with all previous Lulo diamond sales, the sales were conducted in Luanda by SODIAM, the Angolan Government’s diamond marketing company.



Selection of smaller Lulo diamonds recovered during the June half year, including pinks and yellows

	H1 15	H1 16	Var H1 16 to H1 15
Actual Sales (carats)	2,989	4,601	54%
Actual Sales (A\$)	3,666,929	36,627,370	899%
Actual Price per Carat (A\$)	1,227	7,960	549%
Actual Sales (US\$)	2,917,510	26,160,899	797%
Actual Price per Carat (US\$)	976	5,686	483%
Diamond Inventory (carats)	855	1,219	43%

Table 2: June half year diamond sales and average prices



Selection of large Lulo special diamonds sold during the June half year

#### *Incorporation of Lulo Alluvial Diamond Mining Company*

Lucapa and its partners achieved another significant milestone in the June half year when the documents were executed to formally incorporate Sociedade Mineira do Lulo, Limitada, the new alluvial diamond mining company that will hold the alluvial mining title (See ASX announcement 16 May 2016).

Lucapa is a 40% shareholder in SML and the operator of the company. Endiama is a 32% shareholder and Rosas & Petalas is a 28% shareholder.

As at 30 June 2016, SML held cash of US\$2 million (A\$2.7 million) and an unsold diamond inventory of 1,219 carats.

## LULO KIMBERLITE EXPLORATION

In parallel with the diamond mining operations, Lucapa and its partners continued to advance a kimberlite exploration program at Lulo with the aim of locating the primary source, or sources, of the large premium-value alluvial diamonds.

To date, the Lulo partners have identified approximately 300 kimberlite targets in two provinces within the Lulo concession, of which ~100 have been classified as proven or probable kimberlites with five confirmed as diamond-bearing pipes through the recovery of macro and micro diamonds.

The area around Mining Blocks 8 and 6 remains the priority focus of the kimberlite exploration program after geophysical gravity and electromagnetic ("EM") surveys conducted at the L259 target during the June half year successfully defined a 78-108 hectare body consistent with the near-surface expression of a kimberlite pipe, or its crater (Figure 1).

The gravity and EM results (refer ASX announcements 1 February 2016 and 16 March 2016) also correlated well with the pitting which first identified kimberlite material at L259 in the second half of 2015.

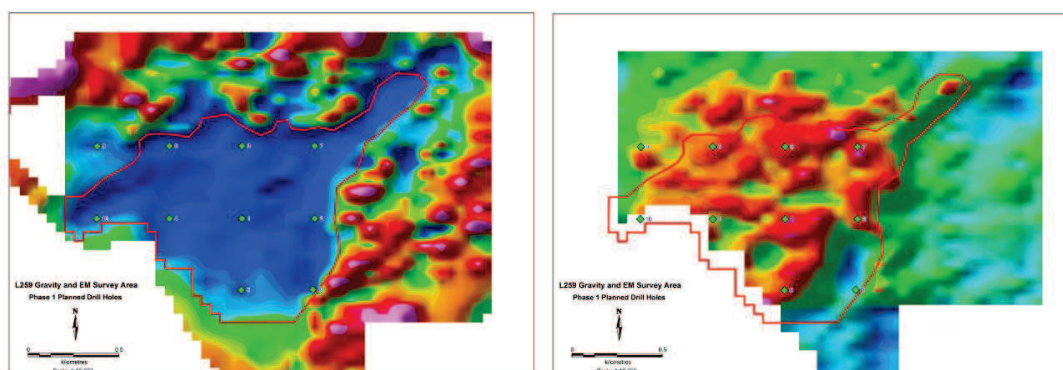


Figure 1: Gravity contour and EM conductivity maps with drill sites for the 10 scheduled drill holes at the L259 kimberlite target

L259 is located below Mining Block 8 and close to Mining Block 6 (Figure 2), both of which have been regular sources of large premium-value alluvial diamonds.

At the end of the June half year, Lucapa and its partners commenced an expanded kimberlite drilling program following the arrival on site of a team of specialist drillers.

Drill sites were prepared for 10 scheduled holes to be drilled at L259 in the initial drilling phase (Figure 1). This drilling program will continue throughout 2016 on the high priority targets, starting at L259. Other kimberlite targets proximal to L259 scheduled to be drilled include L13, L15, E217 and L248 (Figure 2).

Diamondiferous kimberlites L19 and L46 and proximal kimberlite L18 are also scheduled to be drilled.

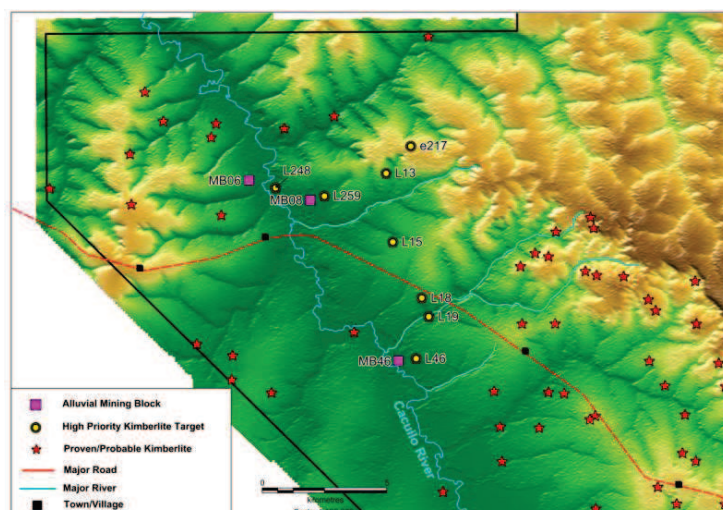


Figure 2: Location of high priority kimberlite targets scheduled to be drilled in the initial drilling phase



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The Lulo kimberlite drilling program is being conducted using the mobile Sedidrill rig. The diamond rig can drill 61mm diameter holes to extract core from a depth of up to 70 metres.

The Sedidrill rig also has auger drilling capacity, which will assist the Lulo geological team in expanding/ defining the alluvial resource areas.

The potential aims of the initial kimberlite drilling program include:

1. To confirm the presence of kimberlite material in areas of coincident gravity and EM signatures and potentially beyond the survey limits;
2. To define pyroclastic kimberlite (PK) material suitable for bulk sampling (using an excavator) and processing through the Lulo diamond plant;
3. To extract kimberlite core samples for detailed petrographic analysis and recovery of indicator minerals, as well as possible geochemical analysis; and
4. To assist in defining the internal geology of the kimberlite.

Lucapa and its partners are assessing options for a second drilling rig with a deeper and wider capability to assist in expediting this kimberlite drilling program.

### *Lulo Kimberlite Exploration Licence*

During the June half year, Lucapa and its Lulo partners, Endiama and Rosas & Petalas, formally signed off on a new three-year kimberlite exploration program at Lulo. As such, an application for a three year renewal to the kimberlite exploration licence has been submitted to the Angolan Ministry of Geology & Mines.

As foreshadowed in the ASX announcement of 16 May 2016, Lucapa and its partners will continue to advance the kimberlite exploration program, as allowed, while this licence renewal process takes place.

### CAPITAL UPGRADE PROGRAM

Lucapa continued to commit investment capital to upgrade and improve the alluvial mining operations and plant at Lulo during the June half year to increase mining capacity and diamond recoveries (specifically the potential to recover diamonds larger than 295 carats) and improve diamond presentation and therefore sale values.

Installation of the wet front end module on the 150 tph diamond plant was completed during the June half year to reduce double handling, increase the feed rate of the plant, improve the efficiency of wet material handling and screening and thereby increase the capacity of the existing scrubber. The wet front end was commissioned in July 2016.



New wet front end module at Lulo

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As mentioned earlier, a state-of-the-art XRT large diamond recovery and sorting solution was ordered during the June half year and is scheduled to be commissioned only in the fourth Quarter of 2016.

The XRT unit will process diamond bearing material between 18mm and 55mm in size, allowing the Lulo diamond plant to recover diamonds up to 1,100 carats in size. This screen size upgrade, together with the XRT technology solution, is a significant improvement to the plant process design. Additionally, the new XRT solution is better suited to the recovery of Type IIa diamonds, which do not luminesce significantly.

Since the recovery of the record 404 carat diamond in February 2016, the Lulo partners have been stockpiling the oversize material (material > 32mm) that could potentially house other large diamonds. This stockpiled material will be treated once the XRT unit is installed.

A diamond deep boiling facility has also been ordered and also due for installation in the September 2016 Quarter.

New Caterpillar earth moving fleet was ordered for both the alluvial mining and kimberlite exploration operations during the June half year and this equipment was delivered to site in late June 2016. The new fleet comprises four trucks, an excavator, telehandler, front end loader and compactor.

Capital was also committed for a high-security diamond recovery sort house and various camp and site improvements.

### ORAPA AREA F - BOTSWANA

Orapa Area F is a 16.2km<sup>2</sup> kimberlite prospecting licence located ~40km east of the Orapa diamond mine in Botswana and within ~4km of the BK02 kimberlite being bulk sampled by TSX-listed Lucara Diamond Corp.

It contains two known kimberlites and a larger magnetic anomaly. A work program approved at Orapa Area F during the June half year will include ground magnetic, EM and gravity geophysical surveys, followed by MMI geochem soil sampling. This work will be carried out in the third Quarter of 2016.

### DIAMOND OPPORTUNITIES

During the June half year, Lucapa continued to assess opportunities in the diamond sector to position the Company for continued growth. This process is ongoing.

### MANAGEMENT APPOINTMENTS

The Lulo partners continued to strengthen the management and technical teams during the June half year.

Key appointments included Mr Richard Barnes as Lulo Mine General Manager, expert drillers and additional geologists. Lucapa also appointed Mr Johan van Wyk as its Finance Manager.

## 3. Financial position

As set out in note 3 to the financial statements the Company's functional currency changed from Australian dollars to US dollars in the current period and its presentation currency was changed accordingly.

For the six months ended 30 June 2016, the Company recorded a maiden profit after tax of US\$3,253,843 and had a working capital surplus of US\$9,168,681. The Company had cash assets of US\$10,687,164 which represent funds on hand in the corporate office as at 30 June 2016. In addition, the cash balance on hand in the Lulo JV available for exploration and evaluation was US\$2,001,440.

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 and production 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.

**4. Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the six months ended 30 June 2016.

This report is made with a resolution of the directors:



MILES KENNEDY  
NON-EXECUTIVE CHAIRMAN

Dated at Subiaco this 13<sup>th</sup> day of September 2016



### Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited

As auditor for the review of Lucapa Diamond Company Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens  
Managing Director

Perth

13 September 2016

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		30 Jun 2016	Restated*
	Note	USD	30 Jun 2015 USD
Distribution from Lulo Joint Venture, net of withholding tax		5,907,172	-
Share of profit of associate	7	89,321	-
Fair value adjustment on Lulo receivable	8	271,234	-
Finance income		30,149	785
Consulting expenses		(90,427)	(27,250)
Depreciation expense		(938)	(1,333)
Employee benefits expenses		(1,593,643)	(643,629)
Director and employee options		(453,128)	(554,519)
Foreign exchange losses		(382,465)	(23,932)
Other expenses		(523,432)	(507,945)
<b>Profit/ (loss) before income tax</b>		<b>3,253,843</b>	<b>(1,757,823)</b>
Income tax expense		-	-
<b>Profit/ (loss) after income tax for the period</b>		<b>3,253,843</b>	<b>(1,757,823)</b>
Other comprehensive income		-	-
<b>Total comprehensive income attributable to members of the Company</b>		<b>3,253,843</b>	<b>(1,757,823)</b>
<b>Earnings/ (loss) per share</b>			
Basic earnings/ (loss) per share (cents)	13	1.20	(0.90)
Diluted earnings/ (loss) per share (cents)	13	1.07	(0.90)

*\* Refer to Note 3 for more information regarding prior year restatement*

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

INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016

	Note	30 Jun 2016 USD	Restated* 31 Dec 2015 USD
<b>Assets</b>			
Cash and cash equivalents		10,687,164	622,208
Trade and other receivables		130,700	33,119
Financial assets	8	224,214	21,882
<b>Total current assets</b>		<b>11,042,078</b>	<b>677,209</b>
Deferred exploration and evaluation costs	5	8,462,883	8,279,406
Alluvial development	6	-	28,483,587
Investment in associate	7	89,321	-
Property, plant and equipment		7,692	7,489
Financial assets	8	35,211,341	-
<b>Total non-current assets</b>		<b>43,771,237</b>	<b>36,770,482</b>
<b>Total assets</b>		<b>54,813,315</b>	<b>37,447,691</b>
<b>Liabilities</b>			
Trade and other payables	9	278,914	1,773,400
Provisions	10	-	803,476
Borrowings	11	1,594,483	-
<b>Total current liabilities</b>		<b>1,873,397</b>	<b>2,576,876</b>
<b>Total liabilities</b>		<b>1,873,397</b>	<b>2,576,876</b>
<b>Net assets</b>		<b>52,939,918</b>	<b>34,870,815</b>
<b>Equity</b>			
Share capital	12	89,114,329	74,882,174
Reserves		(2,402,480)	(2,895,387)
Accumulated losses		(33,771,931)	(37,115,972)
<b>Total equity</b>		<b>52,939,918</b>	<b>34,870,815</b>

\* Refer to Note 3 for more information regarding prior year restatement

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

INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Issued capital USD	Options reserves USD	Foreign currency translation USD	Accumulated losses USD	Total USD
<b>Balance at 1 January 2015 - Restated*</b>	66,892,917	592,773	(2,836,296)	(34,419,063)	30,230,331
<b>Comprehensive income for the year</b>					
Loss for the period	-	-	-	(1,757,823)	(1,757,823)
Other comprehensive income	-	-	(1,776,609)	-	(1,776,609)
<b>Total comprehensive income for the year</b>	-	-	<b>(1,776,609)</b>	<b>(1,757,823)</b>	<b>(3,534,432)</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of share capital	3,709,256	-	-	-	3,709,256
Issue of options	-	554,519	-	-	554,519
Share issue expenses	(291,822)	-	-	-	(291,822)
<b>Total transactions with owners</b>	<b>3,417,434</b>	<b>554,519</b>	-	-	<b>3,971,953</b>
<b>Balance at 30 June 2015 - Restated*</b>	<b>70,310,351</b>	<b>1,147,292</b>	<b>(4,612,905)</b>	<b>(36,176,886)</b>	<b>30,667,852</b>
<b>Balance at 1 January 2016</b>	74,882,174	2,968,459	(5,863,846)	(37,115,972)	34,870,815
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	3,253,843	3,253,843
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	<b>3,253,843</b>	<b>3,253,843</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of share capital	14,492,901	-	-	-	14,492,901
Issue of options	-	486,687	-	-	486,687
Expiry of options	-	(2,107)	-	2,107	-
Transfer of reserves on exercise of options	47,870	(323,129)	331,456	88,091	144,288
Share issue expenses	(308,616)	-	-	-	(308,616)
<b>Total transactions with owners</b>	<b>14,232,155</b>	<b>161,451</b>	<b>331,456</b>	<b>90,198</b>	<b>14,815,260</b>
<b>Balance at 30 June 2016</b>	<b>89,114,329</b>	<b>3,129,910</b>	<b>(5,532,390)</b>	<b>(33,771,931)</b>	<b>52,939,918</b>

\* Refer to Note 3 for more information regarding prior year restatement

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

INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	30 Jun 2016 USD	Restated* 30 Jun 2015 USD
<b>Cash flows from operating activities</b>		
Proceeds of distribution from Lulo Joint Venture	6,563,532	-
Cash paid to suppliers and employees	(3,747,619)	(1,072,341)
Interest received	28,267	792
Withholding tax paid	(656,360)	-
<b>Net cash generated/ (used in) operating activities</b>	<b>2,187,820</b>	<b>(1,071,549)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration costs	(217,067)	(3,162,442)
Payments for development	(5,655,880)	-
Payments to associate	(499,832)	-
Payments for property, plant and equipment	(1,141)	-
<b>Net cash used in investing activities</b>	<b>(6,373,920)</b>	<b>(3,162,442)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	14,387,305	3,735,281
Share issue costs	(275,055)	(294,022)
<b>Net cash generated from financing activities</b>	<b>14,112,250</b>	<b>3,441,259</b>
Net increase/ (decrease) in cash and cash equivalents	<b>9,926,150</b>	<b>(792,732)</b>
Cash and cash equivalents at beginning of period	622,208	1,226,111
Exchange gain/ (loss) on foreign cash	138,806	(64,268)
<b>Cash and cash equivalents at end of period</b>	<b>10,687,164</b>	<b>369,111</b>

*\* Refer to Note 3 for more information regarding prior year restatement*

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



## 1. Reporting entity

Lucapa 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 exploration, development and commercialisation of diamond projects in Africa, specifically Angola.

## 2. Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 31 December 2015.

This interim financial report was approved by the Board of Directors on 13<sup>th</sup> September 2016.

## 3. Significant accounting policies

The financial statements have been prepared using consistent accounting policies to those used for the year ended 31 December 2015 except as set out below.

### *New or revised accounting standards*

The Company adopted all or new revised accounting standards that became effective for reporting periods commencing on 1 January 2016. 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.

### *Change in functional and presentation currency*

An entity's functional currency is the currency of the primary economic environment in which it operates. During 2015 the Company commenced the development of an alluvial diamond mining operation on the Lulo concession which continued during the current period and an alluvial mining company for the Lulo Project, *Sociedade Mineira do Lulo* ("SML"), was incorporated in May 2016, in which the Company has a 40% interest. Diamond mining activities resulted in recoveries of various special diamonds during the current period. As all its revenue and the majority of its expenditures are US dollar based, the functional currency of the Lulo Project is US dollars.

During the current period the Company received a US dollar denominated distribution from the Lulo Project of US\$5.9 million, net of withholding tax. In addition, following the incorporation of SML, the Company has become entitled to the reimbursement of its historic US dollar denominated exploration and development costs as detailed in note 7. Based on this the directors have determined that the Company's functional currency has changed from Australian dollars to US dollars with effect from the beginning of the current reporting period. The change has been applied prospectively in accordance with the requirements of the accounting standards.

Following the change in functional currency, the presentation currency of the Company has been changed from Australian dollars to US dollars in line with the directors' view that it will enhance comparability with its industry peer group. The change in presentation currency represents a voluntary change in accounting policy and has been applied retrospectively.

To give effect to the change in functional and presentation currency, the assets and liabilities of the Company, which had an Australian dollar functional currency at 31 December 2015 were converted into US dollars at a fixed exchange rate on 1 January 2016 of A\$1:US\$0.7294 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. The Australian dollar functional currency assets and liabilities at 1 January 2015 were converted at the rate of A\$1:US\$0.8181 in order to derive US dollar opening balances. Revenue and expenses for the twelve months ended 31 December 2015 were converted at the exchange rates ruling at the date of the transaction to the extent practicable (at an average of A\$1:US\$0.7552 for the reporting period), and equity balances were converted at applicable historical rates.

The above stated procedures resulted in the recognition of a foreign currency translation reserve of US\$5,863,846 on 1 January 2016, as set out in the statement of changes in equity.

## 4. Going concern

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 diamond exploration, alluvial development and mining success at the Lulo Diamond Project, the directors recognise that the Company may need to seek additional funding in order to continue to exploit and develop the Lulo diamond project.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Company recorded a profit after tax of US\$3,253,843 for the half-year ended 30 June 2016 and had net assets of US\$52,939,918 as at 30 June 2016.

On 15 February 2016, the Company, Endiama E.P, Angola's national diamond company, and private local partner Rosas & Pétalas announced the recovery of a spectacular 404 carat diamond from the Lulo Diamond Project and on 29 February 2016, the Company announced that the 404 carat Lulo alluvial diamond sold for gross proceeds of US\$16 million (A\$22.5 million). On 2 March 2016, the Company announced that a special distribution had been made to the Lulo Diamond Project partners following the sale of the iconic 404 carat diamond. Lucapa's net share of the special distribution totalled US\$5.9 million (A\$8.3 million).

The Company raised US\$14,112,250 from the conversion of options and subsequent issue of shares during the period, further bolstering the Company's position to invest in Lulo as needed. In addition, the Company may also raise up to approximately US\$8.7 million should option holders currently holding 53,460,607 options which are exercisable up to 30 September 2017, exercise these options prior to expiry. As at the preceding day to the date of this report, the closing share price of the Company's fully paid ordinary securities was A\$0.33.

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 of the financial report is signed is dependent upon:

- continued cash management according to exploration success;
- continued successful development of the alluvial mine to generate cash; 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 and its other projects 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 outlined above, there would be 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.

## 5. Deferred exploration costs

	Six months to 30 Jun 2016 USD	Year to 31 Dec 2015 USD
<b>Kimberlite exploration</b>		
At 1 January	8,279,406	9,032,661
Exploration expenditure during the period	183,477	240,042
Foreign exchange differences	-	(993,297)
<b>At end of period</b>	<b>8,462,883</b>	<b>8,279,406</b>
<b>Alluvial exploration</b>		
At 1 January	-	21,076,209
Exploration expenditure during the period	-	10,282,459
Foreign exchange differences	-	(2,875,081)
Transfer to Alluvial development (refer Note 6)	-	(28,483,587)
<b>At end of period</b>	<b>-</b>	<b>-</b>

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

Deferred exploration costs represent the cumulative expenditure incurred by the Company in relation to the Lulo and Botswana projects on diamond exploration and evaluation including plant and equipment. The Company continues to explore for the primary kimberlite source of the alluvial diamonds being recovered on the Lulo concessions.

**6. Alluvial development**

	<b>Six months to 30 Jun 2016 USD</b>	<b>Year to 31 Dec 2015 USD</b>
At 1 January	28,483,587	-
Transfer from Deferred exploration and evaluation	-	28,483,587
Development expenditure during the period	4,091,138	-
Transfer to Financial assets	(32,574,725)	-
<b>At end of period</b>	<b>-</b>	<b>28,483,587</b>

During the previous financial year, the Company developed an alluvial diamond mining operation on the Lulo concession, under a mining license granted by the Angolan Ministry of Geology and Mines and under the permission of Endiama, the national diamond mining company of Angola. Previous expenditure for this project had been capitalised as deferred exploration and evaluation.

During that year, the Company continued to capitalise expenditure on the alluvial project as deferred exploration and evaluation, awaiting the creation of the new alluvial mining company which is to hold the gazetted mining license. As at 31 December 2015, the creation of this new company had not yet been completed. However, given that the company had commenced alluvial diamond mining activities at Lulo, all alluvial project expenditure was reclassified to Alluvial Development at 31 December 2015.

During the current period the Company continued with development as well as alluvial diamond mining activities. On 16 May 2016 the Company announced to the ASX the execution of the documents to incorporate Sociadada Mineira do Lulo ("SML"), the new alluvial mining company for the Lulo project.

In accordance with the Mining Investment Contract, the JV partners agreed that in the event of a commercial diamond mining operation being established on the Lulo diamond project, all alluvial and kimberlite exploration and development funds and assets that the Company has transferred to the project should be reimbursed to the Company from each of the respective mining operations when commercialised. As such and following the incorporation of SML, the net cumulative balance of the Alluvial Development cost was transferred to Financial Assets as a receivable (note 8).

**7. Investment in associate**

	<b>Six months to 30 Jun 2016 USD</b>	<b>Year to 31 Dec 2015 USD</b>
Share of net income of associate	89,321	-
<b>At end of period</b>	<b>89,321</b>	<b>-</b>

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

**8. Financial assets**

	<b>Six months to 30 Jun 2016 USD</b>	<b>Year to 31 Dec 2015 USD</b>
<b>Current financial assets</b>		
Short term receivables	224,214	21,882
<b>Total</b>	<b>224,214</b>	<b>21,882</b>
<b>Non current financial assets</b>		
<b>Receivable in respect of the alluvial project</b>		
At 1 January	-	-
Transfer from Alluvial development	32,574,725	-
Investment during the period	2,365,383	-
Fair value gain on foreign exchange	5,272,664	-
	<b>40,212,771</b>	-
Fair value adjustment due to discounting	(5,001,430)	-
<b>At end of period</b>	<b>35,211,341</b>	-

The receivable in respect of the alluvial project was transferred from Alluvial development as per note 6 and represents the future reimbursement in US dollars of the Company's historic alluvial exploration and development costs incurred at Lulo. The receivable has been re-measured to its estimated fair value using the *Income approach*, which is a valuation technique that converts future cash flow into a single discounted present value, and is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs.

Significant unobservable inputs are the timing and amounts of future repayments which are based on the expected cash flows per the Company's forecast model for SML. Sensitivity factors which could impact the valuation include delays in the timing of repayments which will decrease the fair value estimate. A discount rate of 6.1% has been applied in the fair value calculation.

**9. Trade and other payables**

	<b>30 Jun 2016 USD</b>	<b>31 Dec 2015 USD</b>
Trade payables	192,289	1,464,977
Accruals and other payables	86,625	308,423
<b>Total</b>	<b>278,914</b>	<b>1,773,400</b>

**10. Provisions**

	<b>30 Jun 2016 USD</b>	<b>31 Dec 2015 USD</b>
Provision for environmental rehabilitation	-	803,476
<b>Total</b>	<b>-</b>	<b>803,476</b>

The prior period provision represented the estimated environmental rehabilitation liability of Lulo. This is 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 the obligations could differ materially from these estimates.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

After the establishment of commercial diamond operations and the incorporation of SML in the current period, the environmental rehabilitation asset and liability have been recognised by SML in its own financial statements, and is no longer Lucapa's responsibility.

**11. Borrowings**

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
	<b>USD</b>	<b>USD</b>
Finance lease liability for earthmoving fleet	1,594,483	-
<b>Total</b>	<b>1,594,483</b>	<b>-</b>

The above amount reflects the remaining liability in respect of new Caterpillar earthmoving equipment acquired during the period. It is payable over a term of 8 months and is interest-bearing at an annual rate of 9%.

**12. Share capital**

	<b>30 Jun 2016</b>	<b>30 Jun 2016</b>
	<b>Number</b>	<b>USD</b>
<b>Listed securities</b>		
<b>Movement in ordinary shares</b>		
On issue at beginning of period	258,089,435	74,882,174
Issue of shares for cash	-	-
Issue of shares on exercise of options	64,995,204	14,540,771
Transaction costs	-	(308,616)
<b>On issue at end of period</b>	<b>323,084,639</b>	<b>89,114,329</b>
<b>Movement in listed options</b>		
<b>ASX code: LOMOB</b>		
Expiry date: 29 April 2016		
Exercise price: A\$0.30		
On issue at beginning of period	58,808,136	43,218
Issue of options	8,734,607	6,759
Exercise of options	(64,694,704)	(47,870)
Expiry of options	(2,848,039)	(2,107)
<b>On issue at end of period</b>	<b>-</b>	<b>-</b>
<b>ASX code: LOMOA</b>		
Expiry date: 30 September 2017		
Exercise price: A\$0.20		
On issue at beginning of period	36,660,261	-
Issue of options	10,100,346	-
Exercise of options	(300,000)	-
Expiry of options	-	-
<b>On issue at end of period</b>	<b>46,460,607</b>	<b>-</b>

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

**Share-based payments**

	Share options \$0.30	Share options \$0.30	Share options \$0.53	Performance rights \$0.00	Weighted average price (Aud)
Expiry date	24 April 2017	28 May 2017	2 June 2019	2 June 2019	
Number on issue at beginning of period	3,750,000	3,250,000	-	-	0.30
Issue of options	-	-	2,925,000	4,275,000	0.22
Exercise of options	-	-	-	-	
Expiry of options	-	-	-	-	
<b>On issue at end of period</b>	<b>3,750,000</b>	<b>3,250,000</b>	<b>2,925,000</b>	<b>4,275,000</b>	0.26
Exercisable at end of period	3,750,000	3,250,000	975,004	1,068,750	

	30 Jun 2016	31 Dec 2015
Weighted average remaining contractual life (years)	1.91	0.9
Weighted average LOM share price during the six months/ prior year (A\$)	0.38	0.34

**Assumptions used in estimating fair value of options and performance rights granted**

	Share options	Performance rights
Grant date	3 June 2016	3 June 2016
LOM share price at grant date (A\$)	0.345	0.345
Estimated volatility	80%	80%
Risk-free interest rate	2.1%	2.1%
Fair value per option/right (A\$)	0.145	0.338

	30 Jun 2016 USD	30 Jun 2015 USD
<b>Share-based payment expense</b>		
Director and employee options	453,128	554,519
Share issue expenses	33,559	2,088,702
	<b>486,687</b>	<b>2,643,221</b>

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

**13. Earnings/ (Loss) per share**

	<b>30 Jun 2016</b>	<b>30 Jun 2015</b>
Basic earnings/ (loss) per share (cents per share)	1.20	(0.90)
Diluted earnings/ (loss) per share (cents per share)	1.07	(0.90)
	<b>USD</b>	<b>USD</b>
<b>Earnings/ (loss) used in calculating earnings per share</b>		
Profit/ (loss) attributable to members of the Company used in calculating basic earnings per share	3,253,843	(1,757,823)
Profit/ (loss) attributable to members of the Company used in calculating diluted earnings per share	3,253,843	(1,757,823)
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	271,959,811	194,979,626
Weighted average number of ordinary shares outstanding during the period used in calculation of diluted earnings per share	303,470,878	194,979,626

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

**14. Segment reporting**

The Company determines and presents operating segments based on the information that is internally generated for the CEO & COO, who are the Company's chief operating decision makers.

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 and executives 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 material segment, being the exploration, development and commercialisation of diamond projects in Angola and Botswana. The Company maintains an administrative office in Western Australia to support and promote the exploration activities in Africa, which is presented by the position and results of the Company within the financial statements.

	Africa - Exploration & Evaluation, Development and Mining		Australia - Head Office		Total	
	30 Jun 2016 USD	31 Dec 2015 USD	30 Jun 2016 USD	31 Dec 2015 USD	30 Jun 2016 USD	31 Dec 2015 USD
<b>Assets</b>						
Cash and cash equivalents	-	-	10,687,164	622,208	10,687,164	622,208
Trade and other receivables	-	-	130,700	33,119	130,700	33,119
Financial assets	201,882	-	22,332	21,882	224,214	21,882
<b>Total current assets</b>	<b>201,882</b>	-	<b>10,840,196</b>	<b>677,209</b>	<b>11,042,078</b>	<b>677,209</b>
Deferred exploration and evaluation costs	8,462,883	8,279,406	-	-	8,462,883	8,279,406
Alluvial development	-	28,483,587	-	-	-	28,483,587
Investment in associate	89,321	-	-	-	89,321	-
Property, plant and equipment	-	-	7,692	7,489	7,692	7,489
Financial assets	35,211,341	-	-	-	35,211,341	-
<b>Total non-current assets</b>	<b>43,763,545</b>	<b>36,762,993</b>	<b>7,692</b>	<b>7,489</b>	<b>43,771,237</b>	<b>36,770,482</b>
<b>Total assets</b>	<b>43,965,427</b>	<b>36,762,993</b>	<b>10,847,888</b>	<b>684,698</b>	<b>54,813,315</b>	<b>37,447,691</b>
<b>Liabilities</b>						
Trade and other payables	-	1,518,776	278,914	254,624	278,914	1,773,400
Provisions	-	803,476	-	-	-	803,476
Borrowings	1,594,483	-	-	-	1,594,483	-
<b>Total current liabilities</b>	<b>1,594,483</b>	<b>2,322,252</b>	<b>278,914</b>	<b>254,624</b>	<b>1,873,397</b>	<b>2,576,876</b>
<b>Total liabilities</b>	<b>1,594,483</b>	<b>2,322,252</b>	<b>278,914</b>	<b>254,624</b>	<b>1,873,397</b>	<b>2,576,876</b>
<b>Profit or loss</b>	<b>30 Jun 2016 USD</b>	<b>30 Jun 2015 USD</b>	<b>30 Jun 2016 USD</b>	<b>30 Jun 2015 USD</b>	<b>30 Jun 2016 USD</b>	<b>30 Jun 2015 USD</b>
<b>Profit / (Loss) before income tax</b>	6,267,727	-	(3,013,884)	(1,757,823)	3,253,843	(1,757,823)



**15. Events subsequent to reporting date**

On 3rd August 2016 the Company announced record production results for Lulo achieved during the month of July 2016, which included:

- the recovery of 59 Special diamonds, exceeding the total number of Specials (53) recovered in the entire first six months of 2016,
- the record total recovery of 3,164 carats for the month. This included a record daily recovery of 448 carats, eclipsing the day on which the record 404 carat Lulo diamond was recovered,
- Record monthly plant throughput levels achieved of 21,114 bcm,
- Record monthly diamond grade of 15 carats per 100 cubic metres,
- Average stone size of 2.0 carats for the month, up from 1.3 carats in the June half year.

On 6<sup>th</sup> September the Company announced the results from the latest sale of alluvial diamonds from Lulo. The parcel of 3,642 carats sold for gross proceeds of US\$4.4 million (A\$5.8 million), representing an average sale price of US\$1,212 (A\$1,606) per carat. The sale parcel included a 28.5 carat light pink which at the time was the largest and most valuable coloured diamond recovered and sold at Lulo.

On 8<sup>th</sup> September the Company announced the recovery of a 38.6 carat pink diamond from alluvial mining operations at Lulo. This is the largest fancy coloured diamond recovery to date at Lulo, surpassing the 28.5 carat light pink included in the most recent sale referred to above.

DIRECTORS' DECLARATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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In the opinion of the directors of Lucapa Diamond Company Limited:

1. the financial statements and notes as set out on pages 11 to 23, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, for the interim period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
  
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



MILES A KENNEDY  
NON-EXECUTIVE CHAIRMAN

Dated at Subiaco this 13<sup>th</sup> day of September 2016

## Independent Auditor's Review Report

To the members of Lucapa Diamond Company Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lucapa Diamond Company Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of Lucapa Diamond Company Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Lucapa Diamond Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lucapa Diamond Company Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

Without modifying our conclusion, we draw attention to Note 4, which outlines that the going concern basis is dependent upon successful completion of funding strategies to generate or 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 Diamond 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.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens  
Managing Director

13 September 2016

Perth  
Western Australia