



LUCAPA
DIAMOND COMPANY

ENTITLEMENTS ISSUE PROSPECTUS

8 July 2014

PRO RATA NON-RENOUNCEABLE ENTITLEMENT ISSUE OF 1 NEW OPTION AT \$0.005 EACH FOR EVERY 2 SHARES HELD AT THE RECORD DATE TO RAISE UP TO A MAXIMUM OF APPROXIMATELY \$401,233 (BEFORE COSTS AND BASED ON THE NUMBER OF SHARES ON ISSUE AS AT THE DATE OF THIS PROSPECTUS), WITH EACH NEW OPTION BEING LISTED AND EXERCISABLE AT \$0.30 ON OR BEFORE 29 AUGUST 2015.

This Prospectus is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your professional adviser without delay.

Applications for New Options pursuant to this Prospectus may only be made on the forms accompanying this Prospectus.

The Closing Date for acceptances and payments is 5.00pm WST on 8 August 2014.

Subject to ASX Listing Rules, the Corporations Act and other applicable laws, the Company reserves the right to alter the Closing Date, with or without notice.

Underwriter

The Offer is fully underwritten in full by Canaccord Genuity (Australia) Limited.

CANACCORE Genuity

Corporate Directory

Directors

Gordon Gilchrist (Non-executive Chairman)
Miles Kennedy (Managing Director/CEO)
Albert Thamm (Non-executive Director)

Secretary

Mark Clements

Registered Office

34 Bagot Road
Subiaco 6008 Western Australia
T: +61 8 9489 9200 F: +61 8 9489 9201
E: general@lucapa.com.au
W: www.lucapa.com.au

ASX Code

LOM (ordinary Shares)
LOMO (Listed Options)

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross 6153 Western Australia
T: +61 8 9315 2333 F: +61 8 9315 2233

Auditors*

Somes and Cooke
35 Outram Street
West Perth 6005 Western Australia
T: +61 8 9426 4500

Underwriter

Canaccord Genuity (Australia) Limited
Level 4, 60 Collins Street
Melbourne 3000 Victoria
T: +61 3 8688 9155

*These persons appear for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus

SUMMARY OF IMPORTANT DATES	
Appendix 3B and Prospectus lodged with ASIC and ASX.	8 July 2014
Notice sent to security holders containing the indicative timetable and the information required by Appendix 3B.	11 July 2014
"EX" DATE. Shares commence trading ex-entitlements.	16 July 2014
RECORD DATE to identify security holders entitled to participate in the issue.	18 July 2014
Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders.	23 July 2014
Last day to extend the offer closing date.	5 August 2014
CLOSING DATE acceptances close at 5.00pm (Perth time).	8 August 2014
Securities quoted on a deferred settlement basis.	11 August 2014
ASX notified of under subscriptions.	12 August 2014
Issue date. Deferred settlement trading ends.	15 August 2014
Normal trading (T+3 trading) expected to start.	18 August 2014

The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, without notice to vary the times and dates of the Offer, including extending the Offer or accepting late applications, either generally or in particular cases.

IMPORTANT INFORMATION

This Prospectus has been issued by Lucapa Diamond Company Limited (ABN 44 111 501 663) (the **Company** or **LOM**) and was lodged with ASIC and ASX on and is dated 8 July 2014. Neither ASX nor ASIC take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Options (or other securities) will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Company is a “disclosing entity” for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. Certain matters may accordingly be reasonably expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act which permits the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering, and Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding whether to invest in the securities offered by this Prospectus. Announcements made by the Company to ASX are available from the ASX website www.asx.com.au.

An electronic version of this Prospectus may be viewed at www.lucapa.com.au. The electronic version of this Prospectus is provided for information purposes only.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

The Company reserves the right not to accept an application from any person if it has reason to believe that when the person was given the application, that person was not provided with a complete and unaltered copy of this Prospectus and any relevant supplementary or replacement Prospectus. If you have received an Entitlement and Acceptance Form for the securities offered by this Prospectus without a complete and unaltered copy of this Prospectus, please contact the Company who will send you a copy of this Prospectus free of charge.

This Prospectus should be read in its entirety before deciding to invest in the securities offered by this Prospectus. The Directors consider an investment in the securities offered by this Prospectus to be speculative and recommend that you consult your financial adviser as to the course you should follow with respect to the Offer.

In particular, potential investors should consider the risk factors that could affect the financial performance of the Company and consider these factors in the light of personal circumstances, including financial and taxation issues (refer to *ADDITIONAL INFORMATION - Risks*).

Neither the Company nor its Directors nor any party named in this Prospectus guarantee any return on capital or the performance of the Company, and no person is authorised to give any information or to make any representation in connection with the Offer. Only information and representations contained in this Prospectus may be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus contains forward looking statements which are not based on historical facts, but are based on the Company's current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations expressed, implied or projected in the forward looking statements, and no assurance is given that those expectations will prove to be correct. Every forward looking statement contained in this Prospectus is qualified by this caution.

Foreign Jurisdictions

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer and no action has been, or will be, taken to register this Prospectus or the New Options, in any jurisdiction outside of Australia.

The offer under this Prospectus is not being extended, and New Options will not be issued to, Shareholders with registered addresses that are outside Australia, New Zealand, Singapore, Hong Kong and the United Kingdom. The Company has determined, in accordance with the Corporations Act and Listing Rule 7.7, that it would be unreasonable and impractical for the Company to comply with the securities laws of foreign jurisdictions, other than those mentioned above, after taking into account the number of Non-resident Shareholders in each country other than those mentioned above, the number and value of the New Options that would be offered to them and the cost of complying with the legal requirements in other countries. Non-resident Shareholders should contact the Company Secretary if they have any queries.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and any person coming into possession of this Prospectus in a jurisdiction outside Australia should consult their professional advisors and observe those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it.

No advertisement, invitation or document relating to the New Options has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Options that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Options may sell, or offer to sell, such Options in circumstances that amount to an offer to the public in Hong Kong within six months after the date of issue of such Options.

New Zealand

The New Options are not being offered or sold to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Singapore

This document and any other materials relating to the New Options have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Options, or Shares issued on the exercise of New Options, may not be issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the *Securities and Futures Act (Chapter 289)* of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been provided on the basis that the recipient is an existing holder of the Company's Shares. If the recipient is not such a Shareholder, please return this document immediately. The recipient may not forward or circulate this document to any other person in Singapore.

Any offer is not made to the recipient with a view to the New Options, or Shares issued on the exercise of New Options, being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Options. Accordingly, investors should acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Options.

This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the New Options may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

Definitions

Definitions (often with the first letter capitalised) appear both in the body of this Prospectus (refer to bold italicised type in parenthesis) as well as in the Glossary.

DETAILS OF THE OFFER

The Offer

This Prospectus is for the offer (**the Offer**) of new Options pursuant to a pro rata non-renounceable entitlement issue offered to Eligible Shareholders on the basis of 1 new Option (**New Option**) at an issue price of .5 of a cent (\$0.005) per New Option for every 2 Shares held at 5.00pm (WST) on Friday, 18 July 2014 (**Record Date**).

In calculating the number of New Options to which an Eligible Shareholder is entitled (**Entitlement**), fractions of New Options will be rounded up to the nearest whole number.

As at the date of this Prospectus the Company has 48,193,384 Options on issue, all of which could be exercised before the Record Date to acquire Shares and those Shares would entitle the holder to participate in the Offer (refer to *ADDITIONAL INFORMATION – Existing Options* for details of these Options).

Disregarding any Entitlements relating to Shares issued on the exercise of Options before the Record Date, approximately 80,246,637 New Options will be issued pursuant to the Offer, if it is fully subscribed, raising approximately \$401,233 before the costs of the Offer.

All of the New Options issued under this Prospectus will rank equally in all respects with the Listed Options on issue at the date of this Prospectus and all Shares issued on the exercise of the New Options will, from their date of issue, rank equally in all respect with all the Shares on issue at the date of this Prospectus. (refer to *ADDITIONAL INFORMATION – Terms and Conditions of New Options* for details of the exercise price and expiry date of the New Options.)

No Minimum Subscription

There is no minimum amount that must be subscribed under the Offer.

Underwriting

The Offer is conditionally underwritten in full by Canaccord Genuity (Australia) Limited (ACN 075 071 466) (**Underwriter**) and sub-underwritten in full by Twynam Agricultural Group Pty Ltd (ACN 000 573 213) (**Sub-underwriter**) (refer to *ADDITIONAL INFORMATION – Underwriting Agreement* for details of the terms of the underwriting and sub-underwriting).

The Company will pay the Underwriter a fee of 5% of the maximum amount that could be raised under the Offer, being a fee of approximately \$26,086 plus GST. In addition, the Company shall be responsible for making payment to the Underwriter (or as it directs) of all reasonable costs, expenses and disbursements of the Underwriter in relation to the Offer, limited to an aggregate of not more than \$10,000.

Further details of the Underwriting Agreement appear in *ADDITIONAL INFORMATION – Underwriting Agreement*.

Eligibility

The Entitlement of each Eligible Shareholder under the Offer is shown on the form (**Entitlement and Acceptance Form**) accompanying this Prospectus and headed *Entitlement and Acceptance Form*.

As the Offer is non-renounceable, Eligible Shareholders may not sell or transfer any part of their Entitlements.

Acceptance

As an Eligible Shareholder you may:

- accept your full Entitlement;
- accept part of your Entitlement and allow the balance to lapse; or
- do nothing (in which case you will receive no benefit from your Entitlement).

If you do not accept your full Entitlement, the percentage of any Listed Options held by you will be diluted by the New Options issued under this Prospectus and your shareholding in the Company will be diluted as a result of any Shares that may be issued on the exercise of any of the New Options issued under this Prospectus.

Closing Date

The closing date (*Closing Date*) for acceptances is 8 August 2014 . Your Entitlement and Acceptance Form and payment must be received by the Share Registry by 5.00pm (WST) on the Closing Date (refer to *DETAILS OF THE OFFER – To accept your Entitlement*).

Subject to ASX Listing Rules, the Directors may extend this Closing Date (with or without notice and either before or after that date) and may accept late acceptances.

To accept your Entitlement

Your acceptance must not exceed your Entitlement as shown on your Entitlement and Acceptance Form and if it does, your acceptance will be deemed to be only for the maximum Entitlement shown on that form and any Application Monies received for more than your full Entitlement will be refunded without interest.

If you wish to accept all or part of your Entitlement, you must:

EITHER:

- (a) complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in that form, specifying the number of New Options applied for by you; **and**
- (b) forward the completed form, together with a cheque drawn on an Australian bank or a bank draft payable in Australian Dollars for the amount due in respect of New Shares applied for, calculated at .5 of a cent (\$0.005) per New Option, **to reach the Company's Share Registrars no later than 5.00pm (WST) on the Closing Date.** Cheques or bank drafts must be made payable to "Lucapa Diamond Company Limited" and crossed "Not Negotiable";

OR, ALTERNATIVELY

- (c) you may elect to accept the Offer and pay the amount due in respect of New Options applied for by you, calculated at .5 of a cent (\$0.005) per New Option, by BPAY® **to be received in cleared funds by the Share Registry no later than 5.00pm (WST) on the Closing Date,** by following the instructions set out in the accompanying Entitlement and Acceptance Form.

If you choose to accept and pay by BPAY:

- (A) you do not need to submit the Entitlement and Acceptance Form but are deemed to have made the declarations on the Entitlement and Acceptance Form; and
- (B) if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement only in respect of the whole number of New Options whose issue price is covered in full by the application money you have paid by BPAY,

If you elect to use BPAY® it is your responsibility to ensure that cleared funds from your BPAY payment are received by the Share Registry no later than 4.00pm (WST) on the Closing Date, which is the cut off time for the processing of BPAY payments. You should be aware that your own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

If you do not wish to accept all or part of your Entitlement you are not required to do anything.

Note: You will receive no benefit from any part of your Entitlement that is not accepted and paid for by 5.00pm (WST) on the Closing Date.

Shortfall Offer

There is no shortfall offer to Shareholders. If any Eligible Shareholders do not accept their whole Entitlement, the number of unaccepted New Options will be dealt with in accordance with the Underwriting Agreement (refer to *ADDITIONAL INFORMATION – Underwriting Agreement*).

Issue of New Options

The New Options will be issued, and holding statements dispatched to Shareholders to whom New Options have been issued, in accordance with the Listing Rules and the timetable set out earlier in this Prospectus.

Application Monies

Application monies will be held in a separate bank account on behalf of applicants until the New Options are issued. If any application is rejected in whole or in part, the amount tendered in respect of New Options that have not been issued will be repaid to the unsuccessful applicant without interest.

ASX Listing

Application will be made to the ASX for quotation of the New Options. The fact that ASX may grant official quotation to these securities is not to be taken in any way as an indication of the merits of the Company or the New Options.

Enquiries

Any questions concerning the Offer should be directed to Mark Clements, Company Secretary, on +61 8 9489 9200.

PURPOSE OF OFFER AND USE OF PROCEEDS

The primary purpose of the entitlements issue is not to raise funds but to reward Eligible Shareholders for their loyalty to the Company in retaining or acquiring their Shares after the Share consolidation that was completed on 29 May 2014 and Table 1 below sets out how the Company intends, as at the date of this Prospectus, to apply the funds raised pursuant to this Prospectus.

Table 1

Details	\$
Maximum underwriting fee	26,086
ASIC fees ¹	2,290
ASX fees ¹	20,743
Printing and distribution costs (including notices to Shareholders and Option holders) ¹	43,000
Share registry costs ¹	3,000
General expenses including administration costs and working capital	306,114
Total	\$401,233

¹ This is a provision for the estimated costs of the Offer. If this amount increases or decreases, the funds available for working capital described in Table 1 will change correspondingly.

The information set out in Table 1 is a statement of present intention as at the date of this Prospectus. Given the nature of the Company's business, the Board reserves the right to alter the allocation of funds detailed in the above table depending on environmental, regulatory, market conditions and other natural and commercial factors.

Funds raised from the Offer will be applied firstly towards payment of the fees and expenses payable to the Underwriter and the costs of the Offer and the balance will be applied to the Company's general expenses.

Any funds raised from the exercise of any of the New Options will be applied towards general working capital requirements of the Company at that time.

EFFECT ON COMPANY

Effect on Financial Position

If the holders of all Shares currently on issue are, or become Eligible Shareholders and take up their Entitlements in full, the Company's cash reserves, contributed equity and net assets will increase by approximately \$306,114, which is the amount that would be raised pursuant to the Offer (approximately \$401,233), less the costs of the Offer (refer to *PURPOSE OF OFFER AND USE OF PROCEEDS – Table 1*).

If, in addition to the Eligible Shareholders described in the preceding paragraph, the holders of all Options currently on issue exercise their Options before the Record Date, become Eligible Shareholders in respect of the Shares issued on the exercise of their Options and the Offer is then fully subscribed, the Company's cash reserves, contributed equity and net assets will increase by approximately \$426,864, which is the amount that would be raised pursuant to the

Offer (approximately \$521,717), less the costs of the Offer (refer to *PURPOSE OF OFFER AND USE OF PROCEEDS – Table 1*).

Table 2 contains unaudited pro-forma balance sheets showing in:

Column 1: a balance sheet from the audited accounts of the Company as at 31 December 2013.

Column 2: an unaudited estimated pro-forma balance sheet based on the audited accounts of the Company as at 31 December 2013 (**Pre-Offer Balance Sheet**). This Pre-Offer Balance Sheet has been derived from the last audited accounts as at 31 December 2013 adjusted to reflect material changes since that date.

Column 3: an unaudited estimated post-Offer pro-forma balance sheet (**Post-Offer Balance Sheet**) based on the Pre-Offer Balance Sheet adjusted to reflect the issue of 80,246,637 New Options under the Offer (based on the Shares currently on issue and assuming the Offer is fully subscribed) to raise \$306,114 after payment of the estimated costs of the Offer of approximately \$95,119.

The audited balance sheets in Table 2 have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to the financial position.

The pro-forma balance sheets have been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities as noted below.

Table 2

	Column 1 Audited 31 December 2013	Column 2 Pre-Offer unaudited at 30 June 2014	Column 3 Post-Offer unaudited
Assets	\$	\$	\$
Cash and cash equivalents	305,960	1,383,627	1,689,741
Trade and other receivables	78,819	86,698	86,698
Total current assets	384,779	1,470,325	1,776,439
Deferred exploration & evaluation costs	28,344,568	31,224,189	31,224,189
Property, plant & equipment	10,601	11,691	11,691
Total non-current assets	28,355,169	31,235,880	31,235,880
Total assets	28,739,948	32,706,205	33,012,319
Liabilities			
Trade and other payables	1,463,304	1,416,055	1,416,055
Total current liabilities	1,463,304	1,416,055	1,416,055
Non-current liabilities	0	0	0
Total liabilities	1,463,304	1,416,055	1,416,055
Net assets	27,276,644	31,290,150	31,596,264
Equity			
Share capital	64,130,565	69,312,563	69,618,677
Reserves	1,896,623	1,896,623	1,896,623
Accumulated losses	(38,750,544)	(39,919,036)	(39,919,036)
Total equity	27,276,644	31,290,150	31,596,264

Note: The above sums do not include cash on hand of approximately \$462,000 held in Angola for the purposes of exploration and evaluation.

Effect on Capital Structure

The capital structure of the Company following completion of the Offer (assuming that the Offer is fully subscribed and no Options are converted after the date of this Prospectus but before the Record Date and ignoring any variations that may be due to the fact that fractional Entitlements will be rounded up to the next whole number) is summarised in Table 3 below.

Table 3

Shares	Number
Shares on issue at the date of this Prospectus	160,493,275
Shares on issue on completion of the Offer	160,493,275
Options	
Existing Listed Options expiring 29 August 2015 exercisable at \$0.30 each (LOMO)	43,193,382
Unlisted Options expiring 25 September 2014 exercisable at \$0.57 each	4,166,668
Unlisted Options expiring 2 December 2014 exercisable at \$0.90 each	833,334
New Options (LOMO) issued under the Offer expiring 29 August 2015 exercisable at \$0.30 each	80,246,637
Options on issue on completion of the Offer	128,440,021
Maximum number of Shares on a fully diluted basis following completion of the Offer ¹	288,933,296

¹The above table does not take into account the Entitlements that would attach to Shares that would be issued if any of the existing Listed and Unlisted Options described in Table 3 were exercised before the Record Date.

If all of the existing listed and unlisted Options described in the table were exercised before the Record Date, and the holders of the resulting Shares became Eligible Shareholders and all exercised their Entitlements under the Offer in full, the maximum number of New Options that could be issued under this Prospectus would increase from 80,246,637 to approximately 104,343,330, and the maximum number of Shares on a fully diluted basis would accordingly increase from 288,933,296 to approximately 313,029,989.

Details of Substantial Shareholder

Based on publicly available information as at 8 July 2014, Twynam Agricultural Group Pty Ltd, the Sub-underwriter, which is the registered holder of 8,333,334 Shares constituting 5.23% of the Shares on issue, is the only Shareholder with a relevant interest in 5% or more of the Shares on issue. Twynam Agricultural Group Pty Ltd is also the registered holder of 4,166,667 Listed Options which equates to approximately 9.65% of the Listed Options currently on issue.

Effect on Holdings and Control

If all Eligible Shareholders take up their Entitlements in full, the Offer will not diminish the percentage shareholding, Option holding and voting power of each Eligible Shareholder.

If some Eligible Shareholders do not take up their Entitlements in full, their percentage holding of Listed Options will be diluted, and the percentage holdings of Listed Options held by Non-Resident Shareholders not permitted to participate in the Offer will also be diluted.

The respective percentage Shareholdings and voting power in the Company of:

- (a) Eligible Shareholders who do not take up their Entitlements in full; and
- (b) Non-Resident Shareholders not permitted to participate in the Offer;

will be diluted by the issue of Shares issued to other Shareholders on the exercise of any of the New Options.

As the New Options do not confer any voting rights on their holders, the issue of the New Options under the Offer will, of itself, have no effect on the control of the Company. However, the issue of Shares on the exercise of New Options could have an effect on the control of the Company.

The Offer is underwritten in full by the Underwriter and is in turn sub-underwritten in full by the Sub-underwriter. In the unlikely event that no Eligible Shareholders took up any part of their Entitlements and the entire Offer was taken up by the Underwriter or Sub-underwriter, the percentage of Listed Options held by the other existing holders of those

Options would decrease from 100% to approximately 35% of the Listed Options on issue and the percentage of Listed Options held by the Underwriter or Sub-underwriter, as applicable, would increase to approximately 65%, which would, if the Underwriter or Sub-underwriter was permitted to exercise all those Listed Options, result in the issue of Shares that would equate to approximately 25.62% of maximum number of Shares on a fully diluted basis following completion of the Offer and exercise of all Options.

However, under the Corporations Act, no person may acquire a relevant interest in the voting shares in the Company if, because of that acquisition, that person's or someone else's voting power in the Company increases from 20% or below to more than 20% unless that acquisition is permitted by one of the exceptions set out in section 611 of the Corporations Act.

As the issue price of \$0.005 for the New Options under the Offer represents a discount of approximately 97% to the closing market price of the Listed Options on 7 July 2014 and as the \$0.30 exercise price of those New Option is below the current market price of Shares it is anticipated, but not guaranteed, by the Directors that a significant proportion of the New Options will be taken up by Eligible Shareholders applying for the whole or part of their respective Entitlements (refer *ADDITIONAL INFORMATION - Listed Option and Share Trading History*).

In the unlikely event that the Underwriter or Sub-underwriter acquired all, or a significant number of the New Options, the Underwriter or Sub-underwriter, or both, as applicable, would be prohibited from exercising those New Options to the extent that the exercise of those or any other Options or any acquisition of Shares would increase their respective relevant interests in the voting shares in the Company to more than 20% unless their acquisition of that relevant interest was permitted under one of the exemptions in section 611 of the Corporations Act. These exemptions include, but are not limited to:

- (a) acquisitions that results from the acceptance of an offer under a takeover bid and certain on-market purchases during a bid period;
- (b) acquisitions approved previously by a resolution passed at a general meeting of the Company where certain requirements relating to the meeting are met; and
- (c) an acquisition by a person who has had at least 19% of the voting power in Company for at least 6 months before the acquisition and that person's would not have voting power more than 3% higher than the person had 6 months before the acquisition.

In the circumstances, given the prohibitions in section 611 of the Corporations Act, the fact that the Offer is for the issue of New Options and not voting shares in the Company and the fact that it is unlikely that the Underwriter or Sub-underwriter will acquire all, or a significant proportion of, the New Options it is not anticipated that the Offer will have any effect on the control of the Company.

ADDITIONAL INFORMATION

Disclosing Entity

The Company is a disclosing entity for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to ASX which a reasonable person would expect to have a material effect on the price or the value of the Company's Shares.

This document contains a summary of information only which the Company does not purport to be complete. The Offer Document is intended to be read in conjunction with the Company's periodic and continuous disclosure announcements lodged with ASX. Copies of the Company's announcements can be obtained from www.asx.com.au.

Any person has the right to obtain a copy of the following documents and the Company will provide a copy of each of the following documents, free of charge, to any person who asks for it before the Closing Date:

- (a) the full year statutory accounts of the Company for the financial year ended 31 December 2013, being the last audited annual financial report lodged with ASX on 1 April 2014 in relation to the Company before the issue of this Prospectus;
- (b) all documents used to notify ASX of the information relating to the Company under ASX Listing Rules since the lodgement of the financial report referred to in (a) above. As at the date of this Prospectus, the only such documents were:

Date	Description of announcement
3/04/2014	Trading Halt
7/04/2014	Raises \$5.5M for Lulo Diamond Project / Proposed Consolidation
11/04/2014	Section 708A Notice and Appendix 3B
17/04/2014	Notice of Annual General Meeting/Proxy Form
17/04/2014	Becoming a substantial holder
17/04/2014	Listing Rule 3.10.5A Disclosure
30/04/2014	Quarterly Activities Report
30/04/2014	Quarterly Cashflow Report
30/04/2014	Annual Report to shareholders
9/05/2014	Geologist Albert Thamm Joins Lucapa Board
21/05/2014	Results of Meeting
21/05/2014	Managing Director's Address
22/05/2014	Final Director's Interest Notice
22/05/2014	Appendix 3B
23/05/2014	Trading Halt
27/05/2014	Section 708A Notice
27/05/2014	Lulo Diamonds Sell For \$A2.92 Million
29/05/2014	Completion of Share Consolidation
29/05/2014	Trading Halt
30/05/2014	Lucapa Secures Diamond Licence Extensions At Lulo
30/05/2014	Completion of Share Consolidation (Correction)
12/06/2014	Trading Halt
13/06/2014	New York Presentations - June 2014
13/06/2014	Kimberlite Diamond Discovery At Lulo
30/06/2014	Change of Director's Interest Notice
30/06/2014	Section 708A Notice
30/06/2014	Appendix 3B
30/06/2014	Competent Person's Statement
4/07/2014	Appendix 3B
4/07/2014	Appendix 3B
4/07/2014	Amended Appendix 3B
7/07/2014	Lucapa Loyalty Options - Update
8/07/2014	Trading Halt

Existing Options

As at the date of this Prospectus the Company has on issue a total of 48,293,776 Options comprised of:
 43,193,382 Listed Options (ASX:LOMO) expiring 29 August 2015 exercisable at \$0.30 each;
 4,166,668 Unlisted Options expiring 25 September 2014 exercisable at \$0.57 each; and
 833,334 Unlisted Options expiring 2 December 2014 exercisable at \$0.90 each.

Listed Option and Share Trading History

Listed Options

The issue price of \$0.005 for the New Options under the Offer represents a discount of approximately 97% to the closing market price of the Listed Options on 7 July 2014.

The highest and lowest market sale price of Listed Options on ASX during the 3 months immediately preceding the date of this Prospectus, and the respective dates of those sales and the last sale on the last business day on which any sales were recorded immediately preceding the date of this Prospectus, were:

	Dates	\$
Highest	1 July 2014	0.215
Lowest	22 May 2014	0.061
Latest	7 July 2014	0.15

¹ This equates to a pre-consolidation market price of \$0.002 per Listed Option on that date.

Shares

As each New Option carries the right to subscribe for a Share at an issue price of \$0.30 at any time before 5.00pm (WST) on 29 August 2015, the market price of Shares may be significant to Eligible Shareholders. The highest and lowest market sale price of Shares on ASX during the 3 months immediately preceding the date of this Prospectus, and the respective dates of those sales and the last sale on the last business day on which any sales were recorded immediately preceding the date of this Prospectus, were:

	Dates	\$
Highest	1 July 2014	0.51
Lowest	21 May 2014	0.181
Latest	7 July 2014	0.455

¹ This equates to a pre-consolidation market price of \$0.006 per Share on that date.

Interests, Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company; or
- (b) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation and distribution of this Prospectus; or
- (c) stockbroker or manager to the offer of securities under this Prospectus;

has or had within 2 years before lodgement of this Prospectus with ASIC any interest in:

- (A) the formation or promotion of the Company; or
- (B) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of securities under this Prospectus; or
- (C) the offer of securities under this Prospectus;

and no amounts have been paid or agreed to be paid and no amounts have been given or agreed to be given to any of those persons as an inducement to become or to qualify as a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of securities under this Prospectus.

All Directors have stated that they intend to take up their full Entitlement under the Offer.

The direct and indirect interests of the Directors in securities of the Company as at the date of this Prospectus and their respective Entitlements are as follows.

Table 4

Director	Holdings as at the date of this Prospectus			Total Entitlements
	Shares	Listed Options (LOMO)	Unlisted 2 December 2014 Options	New Options
Miles Kennedy ¹	1,285,002	68,334	-	642,501
Gordon Gilchrist	235,0012	-	833,334	117,501
Albert Thamm	16,666	26,138	-	8,333
David Jones ³	110,417	-	-	55,209

¹ Miles Kennedy has a relevant interest in 333,334 Kennedy Holdings (WA) Pty Ltd (ACN 003 118 438) (as trustee for the Kennedy Family Trust) and 951,668 Shares and 68,334 Listed Options held by MAK Super (WA) Pty Ltd (ACN 010 657 959) ATF MAK Superannuation Fund.

² This number of Shares includes 19,504 Shares to be issued to Gordon Gilchrist on his recent exercise of Listed Options.

³ David Jones ceased to be a director on 9 May 2014.

The remuneration paid or due to the Directors or their related entities during the period of 2 years prior to the date of this Prospectus is set out in Table 5 below.

Table 5

Director	Period (12 mths ended)	Salary and Directors' Fees \$	Superannuation \$	Gross Remuneration \$
Miles Kennedy	7/07/2013	192,090	6,870	198,960
	7/07/2014	182,640	-	182,640
Gordon Gilchrist	7/07/2013	110,917	9,083	120,000
	7/07/2014	109,840	10,160	120,000
Albert Thamm ¹	7/07/2013	-	-	-
	7/07/2014	6,666	-	6,666
David Jones ²	7/07/2013	40,000	-	40,000
	7/07/2014	50,700	-	50,700

Note:

¹ Albert Thamm was appointed as a director on 9 May 2014.

² David Jones ceased to be a director on 9 May 2014.

Directors are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Amounts of approximately \$132,354 and \$138,769 respectively were paid to The Bagot Road Property Partnership, a company associated with director Miles Kennedy, relating to office rent and associated costs during the years ended 7 July 2013 and 7 July 2014 at the Company's registered offices at 34 Bagot Road, Subiaco, Western Australia. Amounts of approximately \$695,066 and \$769,991 respectively were paid to The Bagot Road Group Pty Ltd, associated with director Miles Kennedy, as reimbursement for costs and expenses incurred by The Bagot Road Group Pty Ltd in relation to the provision and payment of contract staff including, inter alia, accountants, managers, an engineering

consultant, Company secretary, geologists, office support staff and the payment of directors' fees due to executive directors, and payroll and BAS services for the Company during the years ended 7 July 2013 and 7 July 2014 respectively.

Payments totalling approximately \$44,967 and \$59,322 respectively were paid to Turnicate Consulting, an entity associated with former director David Jones for the years ended 7 July 2013 and 7 July 2014 respectively for the director's fees for David Jones set out in Table 5.

The Company has entered into Deeds of Access and Indemnity with Directors and has effected, and intends to maintain, Directors' and Officers' Liability insurance on behalf of the Directors.

For acting as underwriter, the Underwriter will be entitled to underwriting fees and reimbursements of certain expenses as specified in DETAILS OF THE OFFER – Underwriter. From the underwriting fees, the Underwriter will pay all and any fees required to be paid to the Sub-underwriter in connection with the Offer. On about 10 April 2014 the Underwriter was paid \$366,300 (inclusive of GST) as broker's fees of 6% on a placement of 925,000,000 Shares at an issue price of \$0.006 each to raise \$5,500,000 (before costs). No other amounts have been paid to the Underwriter in the 2 years prior to 7 July 2014. The Underwriter and its employees and/or clients may hold securities in the Company and these holdings of securities may change at any time or times.

Underwriting Agreement

In terms of the Underwriting Agreement, the Underwriter has agreed to underwrite the Offer on the basis that, inter alia:

- (a) The Underwriting Agreement in relation to the Offer remains conditional on, inter alia, on:
 - (i) ASX not indicating that it will not grant permission for the official quotation of the New Options;
 - (ii) the Underwriter receiving a certificate (**Certificate**) from the Company, by 10:00am (WST) on the day (**Shortfall Application Date**) not less than 8 Business Days after receipt by the Underwriter of a notice specifying the number of New Options in respect of which valid applications have been received, which certifies that:
 - A. the Company has complied with all material obligations on its part to be performed in respect of the issue of New Options arising under the Underwriting Agreement and its obligations under the Corporations Act, the Listing Rules and any other applicable law;
 - B. the Company is not in default, in a material respect, under any provision of the Underwriting Agreement and if any default has occurred, specifying the nature of the default and the action taken to remedy it;
 - C. various representations and warranties made by the Company in the Underwriting Agreement are true and correct; and
 - D. none of the specified events that would entitle the Underwriter to exercise its right to terminate the Underwriting Agreement, or if an event has occurred, that on or before the date of the Certificate, the relevant event has been disclosed in writing to the Underwriter and the Underwriter has informed the Company in writing that the Underwriter has decided to waive its rights to terminate the Underwriting Agreement on the basis of the event.
- (b) The conditions are for the benefit of the Underwriter and may be waived in its absolute discretion and subject to any conditions it thinks fit. The Underwriter has confirmed that all other conditions precedent have been satisfied.
- (c) The Company must conduct the Offer, prepare the Offer documents and allot and issue the new Options in accordance with, inter alia, the Underwriting Agreement, the Company's constitution, the Listing Rules, the Corporations Act and all other applicable laws and an agreed timetable.
- (d) If the Company complies with its obligations under the Underwriting Agreement and gives the Underwriter certificates it specified in the Underwriting Agreement, the Underwriter must lodge with the Company or procure lodgement with the Company of applications for that number of New Options as is equal to the difference between the total number of New Options in the Offer and the number of New Options validly applied for (**Shortfall**). The application or applications shall be accompanied by payment of the issue price of \$0.005 per New Option in the Shortfall. On compliance with these obligations the Underwriter's liability for underwriting of the Offer will cease.
- (e) Within 5 Business Days after the after issue of the underwritten New Options, the Company must pay the Underwriter an underwriting fee equal to 5% (plus GST) of the total issue price of the maximum number of New Options that could have been issued if all Options had been exercised before the Record Date and all

Shareholders had taken up their entitlements in full, being a fee of approximately \$26,086 plus GST. In addition the Company is responsible for making payment to the Underwriter (or as it directs) of all reasonable costs, expenses and disbursements of the Underwriter in relation to the Offer, limited to an aggregate of not more than \$10,000.

- (f) If the Underwriting Agreement terminates, the Company will not be obliged to pay the 5% underwriting fee but shall be obliged to pay the costs, expenses and disbursements described in paragraph (e) above.
- (g) The Company has agreed to indemnify and keep indemnified the Underwriter and each of its officers, employees and advisers (each an **Indemnified Party** and collectively the **Indemnified Parties**) from and against all liabilities, losses, damages, costs or expenses (including reasonable legal costs on a full indemnity basis) directly or indirectly (but excluding consequential loss) incurred or suffered by an Indemnified Party arising out of:
 - (i) the Company failing to perform or observe any of its obligations under the Underwriting Agreement or any other obligations binding on it;
 - (ii) any representation or warranty made or given by the Company under the Underwriting Agreement proving to have been untrue or incorrect in any material respect;
 - (iii) any statement in the Offer documents being false, misleading or deceptive or containing an omission;
 - (iv) the distribution of the Offer documents or the making of the Offer and any advertising or publicity of the Offer;
 - (v) any review, inquiry or investigation undertaken by ASIC, ASX, the Australian Taxation Office or any other regulatory or Government Agency in relation to the Offer or the Offer documents;
 - (vi) misleading or deceptive statements or omissions and non-compliance of the Offer documents with the Corporations Act, Listing Rules or other applicable law; or
 - (vii) any claim that an Indemnified Party has any liability under the Corporations Act or any other law in relation to the Issue.
- (h) The indemnity described in paragraph (g) above (**this Indemnity**) does not apply in respect of any liability, loss, damage, cost or expense suffered or incurred by an Indemnified Party to the extent this is suffered or incurred as a consequence of the wilful misconduct, dishonesty, fraud or negligence of that Indemnified Party.
- (i) Each Indemnified Party shall be entitled to the benefit of this indemnity and it may be enforced on that Indemnified Party's behalf by the Underwriter.
- (j) Subject to paragraph (h) above, the rights of an Indemnified Party under shall not be prejudiced or affected by any approval given by that party in relation to the Offer or any of the Offer documents, any consent to be named in the Offer documents, any knowledge (actual or constructive) of any failure by the Company to perform or observe any of its obligations under the Underwriting Agreement, any termination by the Underwriter of its obligations to underwrite the Offer or any inaccuracy in any representation or warranty made or taken to have been made under the Underwriting Agreement or anything else that might otherwise constitute a waiver of or prejudice or affect any right of an Indemnified Party.
- (k) If the Underwriter becomes aware of any matter in respect of which an Indemnified Party wishes to claim for indemnification under the Indemnity, the Underwriter shall promptly notify the Company of the substance of that matter.
- (l) the Company may take over, conduct, negotiate, defend or settle any proceedings at its own expense if it gives the relevant Indemnified Parties an acknowledgment in form and substance reasonably acceptable to the Underwriter that the Indemnity will apply in respect of all losses, costs and expenses arising out of any proceedings. The Company must diligently pursue any proceedings it takes over and fully inform the Underwriter of the progress of those proceedings.
- (m) The Underwriter may elect to terminate the Underwriting Agreement if certain events of default occur, including, inter alia:
 - (i) a statement contained in the Offer Materials is false, misleading or deceptive in any material respect, or a material matter is omitted from the Offer Materials;
 - (ii) the Offer Materials do not comply with the Corporations Act, the Listing Rules or any other applicable law;
 - (iii) the Company fails to perform or observe any of its material obligations under the Underwriting Agreement and does not remedy that failure to the satisfaction of the Underwriter before the issue of the Certificate;

- (iv) the Company commits or is involved in any material breach of the Corporations Act, the Listing Rules, the Company's constitution or any other applicable law;
 - (v) the Company alters its share capital, except as a consequence of Shares issued on the exercise of Options, or its constitution in any material respect without the prior written consent of the Underwriter;
 - (vi) unconditional approval (or conditional approval, provided the conditions would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Issue) by the ASX for official quotation of the Offer Securities is refused, or is not granted on or before the Closing Date (or any later date agreed in writing by the Underwriter at its absolute discretion), or is withdrawn on or before the Shortfall Application Date;
 - (vii) before the Closing Date, the ASX All Ordinaries Price Index closes on any Business Day at a level that is 10% or more below the level at market close on the Business Day before that date of the Underwriting Agreement;
 - (viii) the Share price of the Company trades below \$0.25 per Share;
 - (ix) any person applies to the Takeovers Panel for a declaration under section 657A of the Corporations Act, an order under section 656B, 657D or 657E of the Corporations Act or a decision under section 656A of the Corporations Act, or proceedings before the Takeovers Panel or any court are otherwise commenced, in relation to, or in any way in connection with, the Issue and such application or proceedings are not withdrawn or discontinued within 3 Business Days;
 - (x) an Insolvency Event, as defined in the Underwriting Agreement, occurs in respect of the Company;
 - (xi) ASX withdraws or revokes any applicable ASX waivers, or ASX amends in a material respect the ASX waivers;
 - (xii) the Company withdraws or indicates that it does not intend to proceed with the Offer or any part of the Offer, or withdraws any of the Offer documents;
 - (xiii) trading in any securities of the Company is suspended by ASX for more than 5 Business Days, or any securities of the Company quoted on the Official List of ASX cease to be so quoted; and
 - (xiv) any Government Agency commences or gives notice of an intention to commence any investigation, proceedings or hearing in relation to the Company, or prosecutes or commences proceedings against the Company.
- (n) In addition, if one or more of the following events occurs, and that event is considered to be a "Material Event" under the Underwriting Agreement, the Underwriter may terminate the Underwriting Agreement by written notice to the Company:
- (i) any event specified in the timetable agreed between the Underwriter and the Company is delayed by the Company by more than 2 Business Days without the prior written consent of the Underwriter, such consent not to be unreasonably withheld or delayed;
 - (ii) a new circumstance arises or becomes known which, if known at the time of the issue of this Prospectus, would have been required to be included in this Prospectus;
 - (iii) there is a material adverse change in the management, financial position, results of operations or prospects of the Company;
 - (iv) the outbreak of hostilities not at present existing (in all cases whether war has been declared or not) involving any of the Commonwealth of Australia, the United Kingdom, the United States of America, European Union, Peoples Republic of China, Japan, Indonesia, Iran or Iraq;
 - (v) a representation or warranty by the Company under the Underwriting Agreement proving to have been untrue or incorrect in any material respect and the matters rendering the representation or warranty untrue in that respect are not remedied to the satisfaction of the Underwriter before the issue of the Certificate;
 - (vi) there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Agency that such a law or regulation will be introduced or policy adopted (as the case may be);
 - (vii) any Certificate required to be given under the Underwriting Agreement not being given by the Company in accordance with the Underwriting Agreement, or any statement in a Certificate being untrue or incorrect in a material respect;

- (viii) any information supplied by or on behalf of the Company to the Underwriter in relation to the Company, the New Options or the Offer is misleading or deceptive;
- (ix) a change in the senior management or board of directors of the Company occurs or is announced;
- (x) any material contract of the Company is varied, terminated, rescinded or altered or amended without the prior consent of the Underwriter or any material contract is breached or found to be void or voidable;
- (xi) any debt facility of the Company is terminated by the lender or amended in a material respect without the Underwriter's prior written consent.

The Underwriter is an Australian based broking house and, given the size of the Offer, the Company does not anticipate that the Underwriter would have any difficulty in meeting its obligation under the Underwriting Agreement.

Sub-underwriting Agreement

Twynam Agricultural Group Pty Ltd (**Sub-underwriter**) has entered into a sub-underwriting agreement with the Underwriter to sub-underwrite the Offer in full. The Sub-underwriter is the Company's only substantial Shareholder (refer to *EFFECT ON COMPANY – Details of Substantial Shareholder*).

The Sub-underwriter will be entitled to a sub-underwriting fee to be paid to it by the Underwriter.

If the Sub-underwriter fails to perform its sub-underwriting obligations the Underwriter will remain ultimately responsible for its underwriting of the Offer.

Risks

Exploration and mining, by its nature, contains elements of significant risk which may be increased by the fact that the Company carries on exploration operations in the Republic of Angola (Angola) and some related activities in the Republic of South Africa (South Africa). Ultimate success depends on the discovery and extraction of economically recoverable and marketable mineral resources, obtaining and maintaining the necessary titles and other government regulatory approvals, obtaining and servicing of funding arrangements and otherwise funding the exploration and mining operations.

The value of the Company's securities is likely to fluctuate depending on various factors including the success of its operations and programmes, the general economic and stock market conditions in Angola, South Africa, Australia and worldwide, the price of commodities, exchange rates, unexpected variations in exploration, mining, development and operating costs and political and social changes. Many of these factors are beyond the Company's control. Eligible Shareholders should note that past Share price performance provides no assurance as to future Share price performance.

A non-exhaustive list of some of the risks is set out below.

- **Economic conditions:** Economic conditions, in Angola, South Africa, Australia and elsewhere, may affect the Company's performance. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, among others, are outside the control of the Company and may result in material adverse impacts on the Company's business and its operating results.
- **General legal and taxation matters:** The potential of the Company and the relative attractiveness of Shares may be affected by changes in law and government policy, in particular, changes to taxation law (including transaction and other duty, capital gains tax, GST and similar taxes) and new or revised taxes.
- **Commodity price fluctuations:** The prices of diamonds and other minerals are influenced by numerous variable factors, including laws and regulations, economic conditions and physical and trading demand and supply. Fluctuations in diamond prices may, positively or negatively, influence the operating and financial performance of projects and businesses in which the Company has, or proposes to have, an interest.
- **Share market conditions:** As the Company is listed on the ASX, the price of its securities is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, changes in the outlook for commodities (more specifically, diamonds, gold, copper, silver and other minerals), inflation, interest rates, general economic conditions and changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause the Company's securities to trade below current prices and may affect the income and expenses of the Company.
- **Exploration and development risks:** The Company is exposed to the risks inherent in exploration, development, mining and processing of diamonds. The key risks include: the grade and tonnage of valuable constituent in an ore-body may not be what was originally estimated from the drilling, analysis and resource/reserve estimation; exploration for additional ore-bodies or extension of existing ore-bodies may not be successful or yield results

which are either lower than expected or inconsistent with earlier data; applications for mining tenements may not be granted; the feasibility study for the development of any proposed mine and processing facilities may provide results which mean that the development of a mine is either uneconomic in current market conditions or provides insufficient returns for the risks involved; the capital and operating costs may be different to that estimated from the design and feasibility study; the production rates of ore mined and processed may be different to that forecast in the design and feasibility study; and the product specification may be different to that expected from test-work and analysis at the design and feasibility stage. Also, because most of the Company's revenues and profits are related to its minerals operations, its results and financial conditions are directly related to the success of its exploration and acquisition efforts and the ability to replace existing reserves. A failure in the Company's ability to discover new reserves, enhance existing reserves or develop new operations in sufficient quantities to maintain or grow the current level of reserves could negatively affect the Company's results, financial condition and prospects.

- **Mining related issues:** An investment in a natural resource company involves a significant degree of risk. The degree of risk may increase substantially because the Company's projects are in the exploration stages as opposed to the development stage. Exploration and the transition of resource discoveries to commercial production are endeavours which may be positively or negatively impacted by numerous issues including, but not limited to regulatory legislation, industrial disputes, cost overruns, adverse land and title claims and compensation, and other unforeseen contingencies. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Company's projects, the extent of which cannot be predicted.
- **Recovery:** There is the risk that discoveries in which the Company invests may fail to realise their estimated potential recoverable resources or reserves and/or production rates.
- **Contract risks:** The Company is and will be a party to numerous agreements. A number of these agreements relate directly or indirectly to the provision of services and products to the Company and include provisions which may impose financial and/or other claims on the Company. A material claim under such provisions could adversely impact on the Company's performance.
- **Competition risks:** The businesses in which the Company is involved are subject to domestic and global competition. The Company will have no influence or control over its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.
- **Environmental risks:** Development of mineral resources has some impact on the environment. It is possible that environmental claims could arise in the future against the Company and the potential for liability is an ever-present risk.
- **Government policy:** Industry profitability can be affected by changes in government within Angola, South Africa, Australia and elsewhere, which are not within the control of the Company. The Company's activities are subject to extensive laws and regulations controlling not only the activities of the Company, and the possible effects of those activities on the environment and on the interests of local inhabitants, among other things.
- **Licences:** Licences and permits from regulatory authorities are required for many aspects of the Company's activities. The 1994 legislation covering the Angolan diamond industry stipulates that only ENDIAMA (Empresa Nacional de Diamantes de Angola, the State Diamond Company) or joint ventures with ENDIAMA, can hold diamond mining rights awarded by the Council of Ministers. The Angolan Government has authorised the formation of Joint Ventures for the exercise of prospecting, evaluation and mining of secondary (alluvial) diamond deposits and Kimberlite deposits (together, **Lulo Concession**) and has granted licences until 25 May 2016. There is no guarantee that the required licences will continue to be extended past this period.
- **Weather and climatic conditions:** The current and future activities of the Company, including access to its projects and the conduct of its activities may be affected by seasonal and unexpected weather patterns, heavy rain, floods and other weather and climatic conditions.
- **Country risks:** In addition to its administrative and corporate activities in Australia, the Company carries on exploration in Angola and related activities in South Africa where the economic, legal and political conditions differ from those in Australia. The Company will potentially be subject to economic, social, legal, political and other changes and uncertainties including, but not limited to, government policies, administrative personnel, foreign exchange regulations, laws regulating foreign ownership and operations, tax and royalties, regulation of repatriation of amounts earned or invested, exchange control regulations, ownership and expropriation of rights and other assets, environmental regulations and control and ownership of mineral properties. Changes may have a positive or negative impact on the Company's projects or businesses in the relevant country but are outside the control of the Company.
- **Health risks:** Health risks in southern Africa may be greater than those in Australia and the Company may be adversely affected by illness or injury of personnel whose services are relevant to the Company's activities.

- **Key personnel risks:** Various activities relating to the Company's projects and businesses require personnel with appropriate industry experience and qualifications and in some cases the loss of such key personnel may have an adverse impact on the activities of the Company.
- **Foreign currency exchange rate risks:** Part of the revenue and expenditure of the Company is in currencies other than Australian dollars and this exposes the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of that revenue and expenditure.
- **Insurance risks:** The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. Such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. There is also a risk that an insurer may default in payment of a legitimate claim by the Company under an insurance policy.
- **Industrial dispute risks:** The Company's projects and businesses may be adversely impacted by industrial disputes by personnel whose services are relevant to the Company's activities and/or third parties. The risk of industrial disputes and the potential negative impact on the Company cannot be fully mitigated.
- **Future financing requirements:** In the future the Company may require further financing to develop projects or to meet objectives. There is no assurance that the Company will be successful in obtaining the financing required as and when needed, particularly given recent volatility in global financial markets. Volatile markets may make it difficult or impossible for the Company to obtain debt or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans or reduce or terminate some or all of its activities.
- **Terrorism and war risks:** The Company's projects and businesses may be adversely impacted by acts of terrorism or war. While the Company will undertake all reasonable due diligence in assessing the risks of terrorism and war in the countries and regions in which it invests, the risks of acts of terrorism and war cannot be fully mitigated.

The above statements of risk factors are by way of illustration only. There are numerous other risk factors inherent in an investment in the Company's securities, and there can be no assurance whatsoever that a return on investment will be obtained by investing in the Company's securities, or that the investment therein will not be lost. Further, an investment in the Company's securities should be considered in light of recent Australian and world events, which have had a significant impact on the stability of financial markets in Australia and worldwide and the ultimate consequences of which cannot be predicted with any certainty.

Taxation implications for Shareholders

The Directors do not consider it appropriate to give Shareholders advice regarding the potential taxation consequences of subscribing for New Options under the Offer and the Company, its officers and advisors do not accept any liability or responsibility in respect of any such taxation consequences to Shareholders.

Furthermore, the taxation implications for each Shareholder will also depend on their particular circumstances, and the Directors accordingly recommend that you seek your own professional tax advice concerning the tax consequences for you which arise from the Offer. You should seek this advice whether or not you wish to accept your Entitlement.

Rights and Liabilities Attaching to New Options

New Options issued under this Prospectus will, from the time they are issued, rank *pari passu* in all respects with the Company's existing Listed Options.

Terms and Conditions of New Options

The terms and conditions of the New Options will be as follows:

- (a) **Definitions.** For the purposes of the terms and conditions of the New Options:
- (i) **ASX** means ASX Limited (ABN 98 008 624 691)
 - (ii) **ASX Listing Rules** means the official listing rules of ASX.
 - (iii) **Company** means Lucapa Diamond Company Limited (ABN 44 111 501 663).
 - (iv) **Corporations Act** means Corporations Act.
 - (v) **Exercise Price** means the exercise price of each New Option, being \$0.30.
 - (vi) **Expiry Date** means 5.00pm (WST) on 29 August 2015.
 - (vii) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising New Options.

- (viii) **New Option** means a New Option to subscribe for a Share at the Exercise Price prior to the Expiry Date in the manner set out in these Terms and Conditions.
 - (ix) **New Option Holder** means the person or persons registered as the holder of one or more New Options from time to time.
 - (x) **Share** means a fully paid ordinary share in the capital of the Company.
 - (xi) **WST** means Australian Western Standard Time.
- (b) Each New Option carries the right to subscribe for one Share.
 - (c) New Options will be listed on ASX.
 - (d) New Options may be exercised by the New Option Holder by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Expiry Date.
 - (e) Each Exercise Notice must state the number of New Options to be exercised and be accompanied by the relevant holding statement(s), if any, and payment (in Australian currency) to the Company of an amount (**the Application Monies**) being the result of the Exercise Price multiplied by the number of New Options being exercised.
 - (f) Following receipt of a properly executed Exercise Notice and Application Monies in respect of the exercise of any New Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
 - (g) The Company will make application to have the Shares (issued pursuant to an exercise of New Options) listed for quotation by ASX within 7 days of the date of issue.
 - (h) Shares issued pursuant to an exercise of New Options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
 - (i) New Options carry no right to participate in pro rata issues of securities to shareholders unless the New Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
 - (j) Each New Option Holder will be notified by the Company of any proposed pro rata issue of securities to shareholders a reasonable period prior to the record date set for that pro rata issue to give the New Option Holder the opportunity to exercise the New Options in sufficient time to receive, before that record date, Shares issued on the exercise of New Options entitling participation in the pro rata issue.
 - (k) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the New Options will be changed to the extent necessary to comply with the requirements of the Corporations Act and the reorganisation provisions contained in ASX Listing Rules 22.4.
 - (l) Except as noted in paragraph (k) above, a New Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the New Option can be exercised.

Privacy

The Company, and the Company's Share Registrars on its behalf, hold personal information about the holders of the Company's securities. If you complete an Entitlement and Acceptance Form you will be providing personal information to the Company (directly or to the Company's Share Registrars) which will be collected, held and used to process and administer your application and your investments in the Company. The Company and the Company's Share Registrars may be required to disclose that information to third parties. Applicants can access, correct and update their personal information held by or on behalf of the Company by contacting the Company or the Company's Share Registrars the Company at the respective addresses and contact numbers specified in this Prospectus.

Glossary

ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as required by the context.
ASX Listing Rules	Official listing rules of ASX.
Cents	Australian cents.
Company	Lucapa Diamond Company Limited (ABN 44 111 501 663).
Company's Share Registrars	Security Transfer Registrars Pty Ltd (ACN 008 894 488) of 770 Canning Highway, Applecross WA 6153 and PO Box 535, Applecross WA 6953.
Corporations Act	Corporations Act 2001 (Cth).

Eligible Shareholders	All persons registered as Shareholders as at 5.00pm WST on the Record Date whose registered addresses are in Australia, Hong Kong, New Zealand, Singapore or the United Kingdom.
Listed Options	Options listed on ASX with ASX code "LOMO" each entitling the holder to subscribe for a Share at an issue price of \$0.30 on or before 5.00pm (WST) on 29 August 2015.
Non-Resident Shareholders	Persons registered as Shareholders as at the Record Date whose registered addresses are outside Australia, New Zealand, Hong Kong, Singapore and United Kingdom.
Options	Options each entitling the holder to subscribe for a Share at an issue price of applicable to that class of Option on or before the expiration of that Option. Options include the Listed and Unlisted Options.
Prospectus	This document.
Record Date	18 July 2014.
Share	Fully paid ordinary share in the capital of the Company.
Shareholder	Holder of a Share.
Sub-underwriter	Twynam Agricultural Group Pty Ltd (ACN 000 573 213)
Underwriter	Canaccord Genuity (Australia) Limited (ACN 075 071 466)
Underwriting Agreement	An agreement between the Company and Canaccord Genuity (Australia) Limited, the Underwriter, under which the Underwriter has agreed to fully underwrite the Offer.
Unlisted Options	Unlisted Options expiring 25 September 2014 exercisable at \$0.57 and unlisted Options expiring 2 December 2014 exercisable at \$0.90 each.
WST	Australian Western Standard Time.
\$	Australian dollar.

CONSENTS

Security Transfer Registrars Pty Ltd (the Company's Share Registrars) has been named in this Prospectus for information purposes only and has not consented to being named herein.

Canaccord Genuity (Australia) Limited and Twynam Agricultural Group Pty Ltd have each given, and at the time of issue have not withdrawn their respective consents to be named as Underwriter and Sub-underwriter to the Offer of New Options under this Prospectus, in the form and the context in which they are each named.

DIRECTORS' AUTHORISATION

This Prospectus is issued by Lucapa Diamond Company Limited and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and ASX.

MILES KENNEDY
MANAGING DIRECTOR

For and on behalf of
LUCAPA DIAMOND COMPANY LIMITED

Date: 8 July 2014

ENTITLEMENT AND ACCEPTANCE APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:
34 BAGOT ROAD
SUBIACO WA 6008
AUSTRALIA

LUCAPA DIAMOND COMPANY LIMITED

ACN: 111 501 663

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

Holder Number:

Eligible Holding as at 5.00pm WST
on 18 July 2014:

Entitlement to Securities 1:2:

Amount payable on acceptance
@ \$0.005 per New Option:

NON-RENOUNCEABLE NEW OPTIONS OFFER CLOSING AT 5.00PM WST ON 8 AUGUST 2014

(1) I/We the above named being registered at 5.00pm WST on the 18 July 2014 as holder(s) of Shares in the Company hereby accept as follows:

	NUMBER OF NEW OPTIONS ACCEPTED/APPLIED FOR	AMOUNT ENCLOSED @ \$0.005 PER OPTION
Entitlement or Part Thereof	<input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/>	\$ <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>

- (2) I/We have enclosed/made payment for amount shown above (following the payment instructions as detailed overleaf).
 (3) I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of New Securities allotted to me/us.
 (4) I/We agree to be bound by the Constitution of the Company.
 (5) I/We understand that if any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept this form, and how to construe, amend or complete it shall be final.
 (6) I/We authorise the Company to send me/us a substituted form if this form ceases to be current.
 (7) I/We declare that I/we have received a full and unaltered version of the Prospectus either in an electronic or paper format.
 (8) My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER

EMAIL ADDRESS

BPAY PAYMENT OR THE RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR ACCEPTANCE OF THE OFFER.

PAYMENT INFORMATION - Please also refer to payment instructions overleaf.



Billers Code: 159483

Ref:

BPAY® this payment via internet or phone banking.

Your **BPAY**® reference number is unique to this offer and is not to be used for any other offer.



CHEQUE/MONEY ORDER

All cheques (expressed in Australian currency) are to be made payable to **LUCAPA DIAMOND COMPANY LIMITED** and crossed "Not Negotiable".

REGISTRY DATE STAMP

E & O.E.

PAYMENT INSTRUCTIONS



Biller Code: 159483

BPAY® this payment via internet or phone banking.
Your reference number is quoted on the front of this form.

Multiple acceptances must be paid separately.

Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer. BPAY applications will only be regarded as accepted if payment is received by the registry from your financial institution on or prior to 4:00pm WST on Friday, 8 August 2014. It is the Applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

You do not need to return this form if you have made payment via BPAY.

Your BPAY reference number will process your payment to your entitlement electronically and you will be deemed to have applied for such Securities for which you have paid.



CHEQUE/MONEY ORDER

All cheques should be drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid.

Do not forward cash as receipts will not be issued.

When completed, this form together with the appropriate payment should be forwarded to the share registry:

Security Transfer Registrars Pty Ltd
PO Box 535, APPLECROSS WA 6953.

Applications must be received by Security Transfer Registrars Pty Ltd no later than 5.00pm WST on Friday, 8 August 2014.

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Securities and the price payable on acceptance of each Security.
2. Your entitlement may be accepted either in full or in part.
There is no minimum acceptance.

ENQUIRIES

All enquiries should be directed to the Company's share registry:

Security Transfer Registrars Pty Ltd

PO Box 535, Applecross WA 6953 AUSTRALIA

770 Canning Highway, Applecross WA 6153 AUSTRALIA

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.