



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

HIGHLIGHTS

ALLUVIAL DIAMOND MINING AND SALES

- Record quarterly gross diamond revenues of A\$8.1 million at record quarterly average selling prices of A\$2,141 per carat for Lulo diamonds.
- New equipment and earth moving fleet delivered to site to support increased targeted mining rate of 20,000 bulk cubic metres (bcm) per month.
- Maiden independent JORC-compliant diamond resource estimate released - inferred resource sufficient to support alluvial diamond mining operations for ~4 years at 20,000 bcm/month rate.
- New source of large diamonds identified at Mining Block 6, including largest diamond recovered of 133.4 carats.

KIMBERLITE EXPLORATION

- Exploration focused on high-priority L259, L13 and L15 - gravity survey leted at the L259 kimberlite - results are imminent.
- Multi-purpose drill rig purchased and scheduled to arrive in Angola in February 2016 for next stage of high-priority kimberlite testing program.



INTRODUCTION

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

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

Alluvial diamond mining operations commenced at Lulo in January 2015 following the awarding of a mining licence in November 2014. The 10,372 carats of all Lulo diamonds recovered and sold to date have achieved exceptional average sale prices of A\$1,855 per carat, underling the quality and premium value of the Lulo resource.

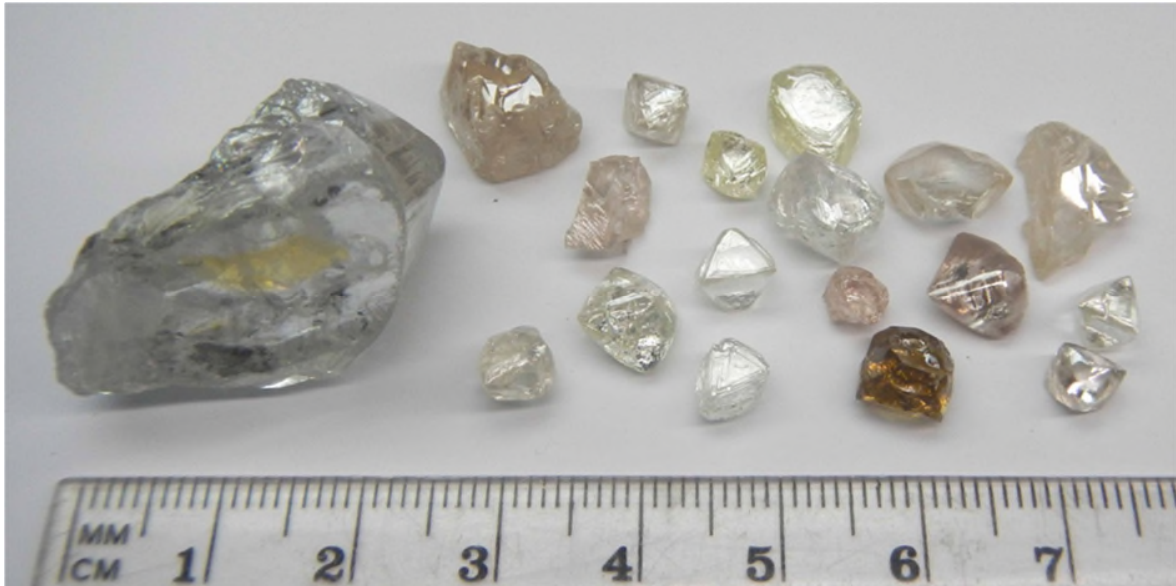


Lucapa and its partners are also well advanced in the search for the primary kimberlite source or sources of the exceptional alluvial diamonds being recovered at Lulo. The focus of the kimberlite exploration program at Lulo is the high-priority area containing the L259 kimberlite adjacent to Mining Block 8 and the proximal L13 and L15 kimberlites.

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

DIAMOND SALES

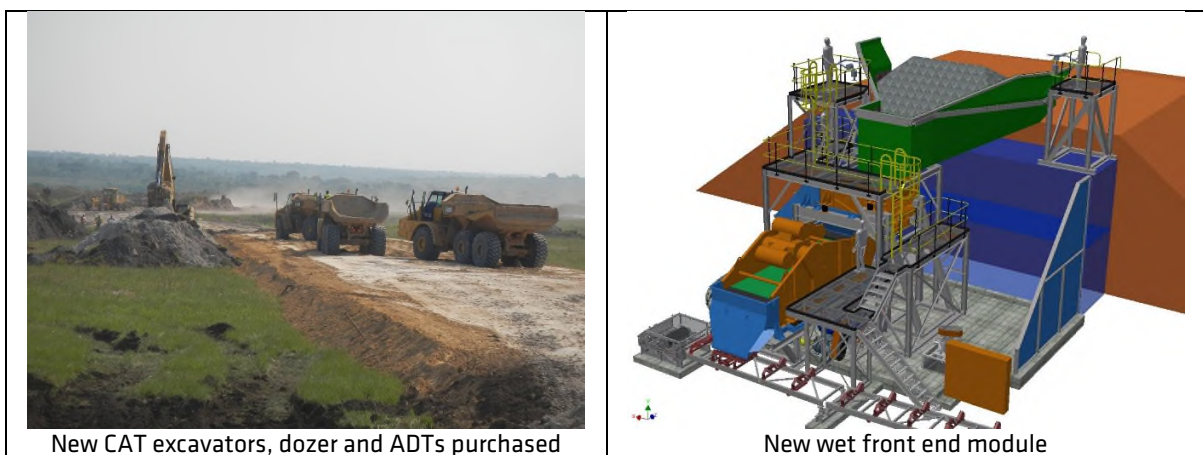
As part of Lucapa's strategy to generate regular and increasing cash flows, three diamond sales were completed during the Quarter (See ASX announcement 18 January 2016). These diamond sales generated gross revenues of A\$8.1 million, the highest quarterly sales result achieved to date. The average selling price of A\$2,141 per carat in the December Quarter was also the highest quarterly average achieved since mining commenced in January 2015 (Table 1).



ALLUVIAL DIAMOND MINING

As detailed in the ASX announcement of 18 January 2016, processing rates increased by 173% to 82,410 bcm in the second half of calendar 2015 as the investment in additional earth moving equipment, mining equipment and support infrastructure enabled mining operations to be scaled up to the 20,000 bcm/month target at the end of the September quarter.

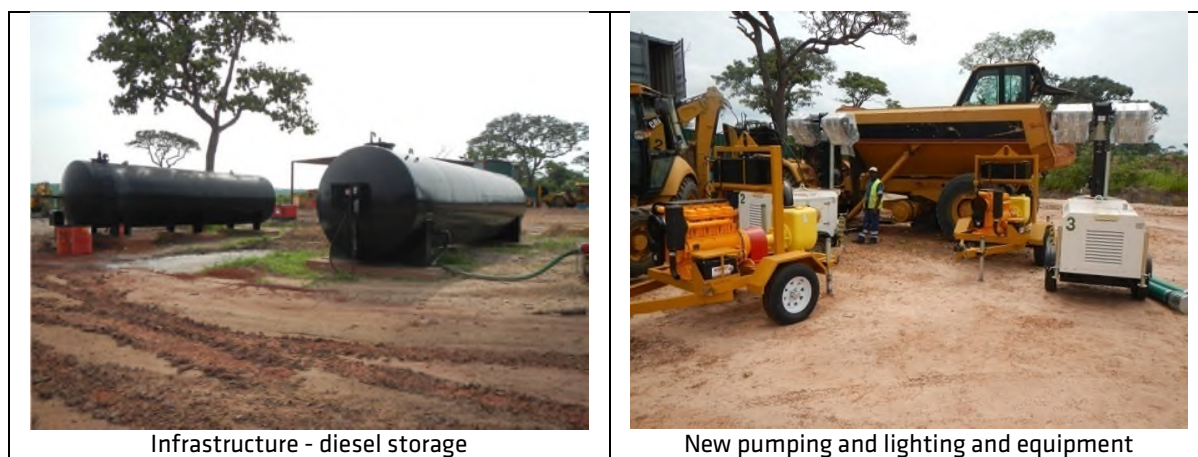
The wetfront end was trial erected in Johannesburg post construction, packed for shipping and has subsequently been transported to site.



New CAT excavators, dozer and ADTs purchased

New wet front end module

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015



Processing rates in the Quarter were below those of the previous quarter. This was primarily because of a mechanical issue with the dense media separation (DMS) unit on the 150 tonne per hour (tph) diamond plant, which impacted processing rates for two weeks.

Mining of gravels continued during this two-week period of plant downtime and at the end of the Quarter, approximately 9,231 bcm of diamond-bearing alluvial gravels were stockpiled for processing through the diamond plant.

Excluding the 9,231 bcm of stockpiles, a total of 38,401 bcm of alluvial gravels were processed in the Quarter (Table 1).

Access to higher-grade and value areas such as Mining Block 8 was restricted by the heavy rain during the Quarter, which contributed to lower average grades and reduced diamond recoveries to 2,151 carats.

	Q1 15	Q2 15	H1 15	Q3 15	Q4 15	H2 15	FY 15
Actual Treated m³ (bulk)	12,912	17,264	30,176	44,009	38,401	82,410	112,586
Actual Carats Recovered	1,335	1,430	2,765	3,479	2,151	5,630	8,394
Actual Grade Recovered (cphm³)	10.34	8.28	9.16	7.90	5.60	6.83	7.46
Actual Avg Stone Size Recovered	1.01	0.79	0.88	1.20	1.35	1.25	1.10
Specials Recovered	12	3	15	43	28	71	86
Actual Sales (A\$)	-	3,666,929	3,666,929	1,023,644	8,091,593	9,115,237	12,782,166
Actual Price per Ct (A\$)	-	1,227	1,227	400	2,141	1,438	1,370

Table 1: Diamond production and sales results by quarter for full year 2015

Mining operations were impacted as earth moving equipment was utilised to progress other project activities, including alluvial and kimberlite exploration programs, excavation of trial mining pits in new areas, construction activities and rain-related road and bridge maintenance.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

The new mining areas opened up in the Quarter included Mining Block 6, located within approximately 4km of the diamond plant and ~2km downstream of Mining Block 8.

As detailed in the post-Quarter ASX announcement of 22 January, Mining Block 6 has also proved to be another source of large and valuable diamonds, with four specials among the recoveries in the first few days of processing stockpiles from this area. These specials included a 133.4 carat compound diamond, the biggest individual stone recovered to date from Lulo. The other specials included D-colour gems weighing 29.2 carats and 11.1 carats and a 12.37 carat stone.

Gravels were also excavated and stockpiled during the Quarter from the higher-grade E46 alluvial terraces to commence trial mining of this area, in line with Lucapa's plan to extend the E46 diamond resource beyond that indicated in the maiden Lulo alluvial diamond resource (See Maiden Diamond Resource section).

The trial mining of E46 is also part of the Company's early-stage considerations to ramp up production beyond 20,000 bcm/month.

The alluvial gravels stockpiled at E46 will be transported to the diamond plant for processing when road conditions permit.



Diamonds from Mining Block 6 including 133.4 carat compound stone

During the Quarter, a total of 28 specials were recovered, with the two biggest diamonds recovered weighing 74.5 carats and 66.3 carats (See ASX announcements 18 December 2015 and 19 October 2015).

The average stone size increased to 1.4 carats in the Quarter, up from 1.2 carats in the previous quarter (Table 1).



Excavation of overburden and alluvial gravels during the Quarter

MAIDEN DIAMOND RESOURCE

During the Quarter, Lucapa announced a maiden JORC-compliant inferred diamond resource (Table 2) sufficient to support alluvial diamond mining for approximately four years at the rate of 20,000 bcm/month (See ASX announcement 15 December 2015).

The diamond resource was independently validated by ZStar Mineral Resource Consultants (Pty) Ltd of Cape Town, South Africa. The resource excluded any zones disturbed by prior artisanal mining activity and was depleted and reconciled for mining activities to the end of October 2015.

The diamond resource covers less than 10% of the alluvial diamond mining licence area at Lulo and is based primarily on limited historical geological sampling work and recent Mining Block 8 extensional pitting.

As outlined in the 15 December 2015 ASX announcement, Lucapa and its partners plan to extend and update the maiden diamond resource in 2016 and have purchased a multi-purpose mobile drill rig with both diamond and augur capability to assist in the alluvial resource extension activities.

This drill rig will also be used in the kimberlite exploration program at the priority L259 kimberlite adjoining Mining Block 8 and surrounds (See Kimberlite Exploration section).

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

Classified, Depleted & Reconciled Lulo Alluvial Diamond Resource as at 31 October 2015										
JORC classification	Sector	Thickness (m)	Area (m ²)	Insitu volume (m ³)	Grade (stns/m ³)	cts/stn	Stones	Carats	Insitu grade (cphm ³)	Modelled value (USD)*
Inferred	5	0.44	96,200	10,400	0.11	0.95	1,200	1,100	10.58	\$781
	4	0.33	60,000	17,699	0.05	1.04	2,600	1,800	9.09	\$781
	5N	0.64	80,000	51,200	0.06	1.13	3,000	3,400	6.64	\$781
	4 MB08	0.57	255,575	120,001	0.06	1.48	6,900	9,700	8.23	\$931
	46	0.4	331,800	132,700	0.18	0.97	24,100	23,400	17.63	\$781
	1	0.60	363,700	218,200	0.07	0.82	14,300	11,700	5.36	\$781
Total			1,187,275	550,200	0.09	1.02	52,100	51,000	9.27	\$806

Note: cphm³: carats per 100 cubic metres; Stns/m³: stones per cubic metre
 *Special stones are not excluded in the modelling stage, in terms of size or assortment.
Average realised sales may be significantly higher in value than the modelled values shown above
 Bottom screen size: effective -1.5mm

Table 2: Inferred and depleted alluvial resource as at 31 October 2015

KIMBERLITE EXPLORATION

As announced to the ASX on 6 October 2015, a pitting program conducted by Lucapa's geological team was successful in identifying high-priority kimberlite targets considered potential sources of the large and valuable alluvial diamonds being recovered from gravels being extracted at Mining Block 8.

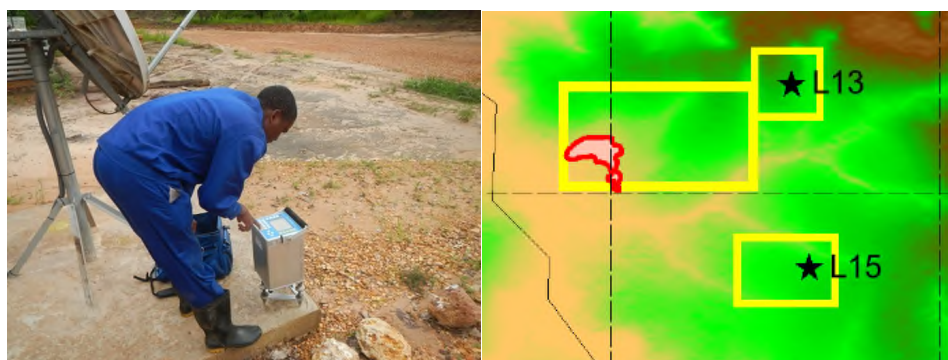
These high-priority targets included L259 immediately adjacent to Mining Block 8, along with the nearby L13 and L15 kimberlites.

On 23 November 2015, Lucapa announced the next phase of the kimberlite exploration program would involve ground-based gravity and electromagnetic (EM) surveys to help identify the outer rim and body of the high-priority kimberlites in the Mining Block 8 area.

These surveys commenced during the Quarter and the gravity results from L259 are imminent.

Subject to the results, the next stage of the kimberlite exploration program will involve drilling the outer rim of the kimberlite with the aim of identifying potential near-surface kimberlite material for bulk sampling to test for diamond content.

As previously mentioned, Lucapa purchased a multi-purpose drilling rig during the Quarter for this purpose - and for alluvial resource extension drilling. This rig is due to arrive in Angola in February 2016.



Geophysical survey work on high priority kimberlite targets in the Mining Block 8 area during the Quarter

ADDITIONAL KIMBERLITE TARGETS

In July 2015, Lucapa dispatched previous kimberlite sample material to South African consultants Mineral Services for micro-probing analysis of kimberlite indicator minerals. This was well before Lucapa identified the kimberlites near Mining Block 8 as its highest-priority exploration targets and did not include any material from those kimberlites.

As detailed in the ASX announcement of 21 December 2015, the laboratory results included the recovery of purple G10D garnets from kimberlites L165 and L18.

L165 is proximal to the diamond-bearing L170 kimberlite where a G10D garnet and a micro diamond were previously recovered, while L18 is adjacent to the diamond-bearing L46 and L19 kimberlites.

As a result, Lucapa believes L46, L18, L19 and other kimberlites on the tributaries close to the E46 alluvial terraces warrant further sampling and drill testing, as does the L165-L170 cluster. However, this work will only be undertaken once the drilling programs at the high-priority kimberlites in the Mining Block 8 area are completed.

Further details regarding the kimberlite mineral chemistry analysis are set out in the ASX announcement of 21 December 2015.

BOTSWANA

During the previous quarter, Lucapa was awarded a 3-year Prospecting Licence in a competitive tender held by the Department of Mines over a 16.2km² area in the Central District of Botswana near the Orapa diamond mine. During the Quarter, Lucapa focused its efforts on sourcing and reviewing historical exploration results and geological information and began meeting with in-country service providers with a view to commencing an exploration program in 2016.

CORPORATE

On 20 November 2015, Lucapa announced that as at the closing date of its Option Offer of 16 November 2015, the Company had received acceptances for 59.25 million 30c options representing total funds of \$59,251, before costs. The 30c options expire on 29 April 2016 and are quoted on the ASX under the code LOMOB.

Under the terms of the prospectus, Directors can place the shortfall of 8.73 million 30c options at their discretion within three months of the Offer closing date.

For and behalf of the Board.

STEPHEN WETHERALL
CHIEF EXECUTIVE OFFICER

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 Lucapa Diamond Company Limited. This document contains background information about Lucapa Diamond Company Limited 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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QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

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, Lucapa Diamond Company Limited 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.

Schedule of tenements as at 31 December 2015					
Country	Type	Size (km ²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	2 years	40	05/2016
Angola	Exploration (secondary) Alluvial	1,500	2 years	39	05/2016
Angola	Mining (secondary) Alluvial	1,500	10 years	40	07/2025
Botswana	Reconnaissance	16.2	3 years	75	09/2018