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LUCAPA
DIAMOND COMPANY

ASX Announcement 30 October 2020

QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

Lucapa Diamond Company Limited (ASX: **LOM**) ("Lucapa" or "the Company") presents its activities report and results for the Quarter ending 30 September 2020 (the "Quarter" or "Q3 20").

Lucapa's operational highlights for the Quarter include:

- **Record Quarter diamond production at Lulo with 9,387 carats recovered**
- **Bulk sampling completed at L071 and L072 resulting in the recovery of 1.33 carats from L071 including a 0.25 carat Type IIa diamond**
- **Completion of three diamond sales by SML, realising US$11.6m (A$16.3m)**
- **Restructuring of the group's borrowings successfully completed**
- **Approval of the Mothae kimberlite mine restart plan**
- **New diamond marketing channel approved by the Government of Lesotho**
- **~280% increase in the Indicated Resource at Mothae**

DIAMOND PRODUCTION & SALES SEPTEMBER 2020 QUARTER				
	Mothae[1]	**Lulo[2]**	**Q3 Total**	**Q3 YTD**
Tonnes treated		113,215*	**113,215**	**639,675**
Carats recovered		9,387	**9,387**	**24,075**
+4.8 carat diamonds recovered		314	**314**	**673**
+10.8 carat diamonds recovered		95	**95**	**205**
Sales (US$m on a 100% basis)		11.6	**11.6**	**25.5**
Price per carat (US$)		1,162	**1,162**	**1,058**

[1]70% subsidiary (no mining or treating activities in Quarter); [2]40% associate.
*Converted from bulk cubic metres to tonnes

SML's operations at Lulo were partially impacted during the Quarter by the State of Emergency implemented in Angola because of the COVID-19 pandemic and presidential decrees regulating personnel movement. However, the Lulo mine still achieved a record Quarter for diamond production, recovering 9,387 carats for Q3 20, surpassing the previous record of 8,865 carats set in the third quarter of 2016.

Kimberlite exploration at Lulo continued during the Quarter with the bulk sampling of the L071 and L072 kimberlites, resulting in the recovery of two diamonds weighing 1.33 carats, which included a 0.25 carat Type IIa diamond from L071. Access road construction and delineation drilling are well underway to access three other high priority targets for bulk sampling in the Canguige catchment.

Due to the COVID-19 lockdowns impacting on the movement of personnel and access to critical mine supplies, operations were suspended at the Mothae kimberlite mine in March 2020. Pleasingly, after easing of the lockdowns and approval of the Mothae mine restart plan, mining operations at Mothae recommenced shortly after Quarter end (refer ASX announcement 8 October 2020).

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LULO, ANGOLA
KIMBERLITE EXPLORATION
(Project Lulo – Lucapa 39% JV partner and operator, Endiama 51% and Rosas & Petalas 10%)

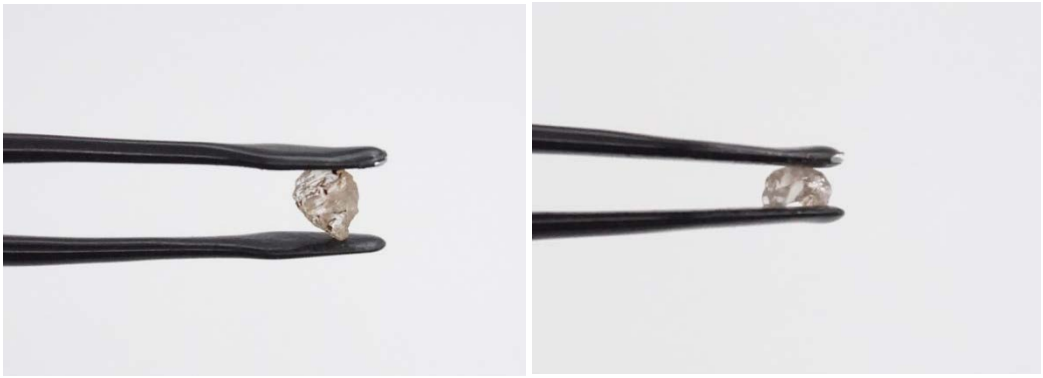
During the Quarter, the L071 and L072 kimberlites were bulk sampled. They are in a group of five kimberlites in the Canguige catchment that were "top-rated" during the kimberlite review compiled in 2019. L071 had a positive result for diamonds with 1.33 carats recovered from the sample, including a 0.25 carat Type IIa diamond (pictured below and refer ASX announcement 28 August 2020).

Delineation drilling continued during the Quarter and after being completed on the L071 and L072 kimberlites, the drill rig moved onto L032. Although L032 was not on the original 16 priority kimberlites list, it has been elevated onto the list as a result of information gained during the current Canguige program. A total of 31 holes and 1,082 metres were drilled as at Quarter end.

Construction of the main access road to seven priority kimberlites in the Canguige catchment and north of the Canguige continues. The road which will access L032 and the three other higher priority kimberlites in preparation for bulk sampling is advanced and planned to be completed during Q4 20.

The systematic drilling and bulk sampling of the six most prospective kimberlites within the Canguige catchment area (Figure 1) and the other 11 most prospective kimberlites in the wider Cacuilo valley will continue throughout 2020 and into 2021.

As part of the continuing Cacuilo tributary sampling program, gravel identified in the Xangando drainage will be drilled and pitted in preparation for sample excavation. An additional location has been identified for gravel sampling in the Zavige drainage.



The 1.08 carat diamond and 0.25 carat Type IIa diamond recovered from L071



Bulk sampling sites at Lulo kimberlites L071 and L072

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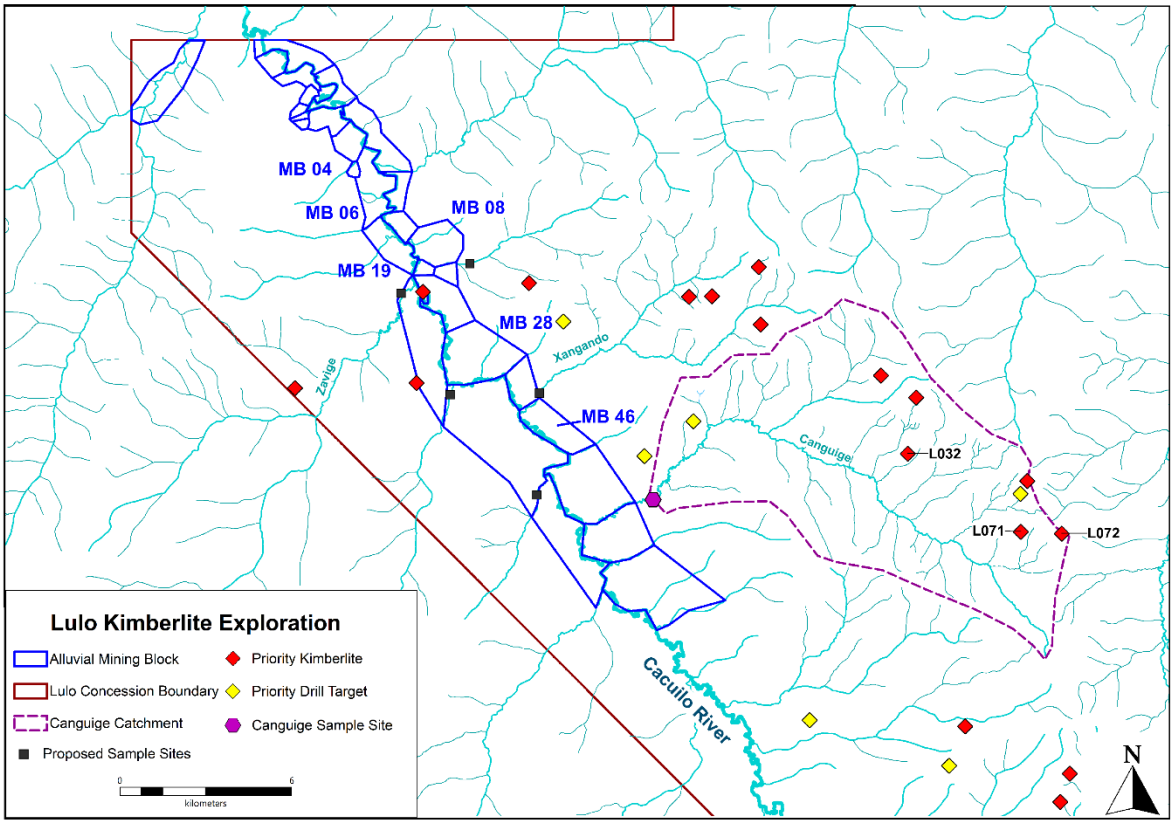


Figure 1: Location of the 17 priority kimberlites and additional targets in the Cacuilo valley and Canguige catchment area.

ALLUVIAL MINING

(Sociedade Mineira Do Lulo ("SML") - Lucapa 40% associate and operator, Endiama 32% and Rosas & Petalas 28%)

Mining operations

Mining operations during the Quarter were partially impacted by the State of Emergency implemented in Angola as a result of the COVID-19 pandemic, leading to a 25% reduction in personnel allowed on site. Despite the impacts of COVID-19, SML achieved a record quarterly result for carats recovered. Mining in the Quarter was concentrated in the flood plain (leziria) in Mining Block 06.

The grade achieved of 14.1 cphm^3 during the Quarter was 55% better than plan. This overshadowed the lower than plan volume processed and resulted in a record total of 9,387 carats being recovered during the Quarter. Diamond recoveries included 314 diamonds +4.8 carats, which in turn included 95 Specials.

The largest diamond recovered during the Quarter was a 61 carat gem-quality stone.

SML SEPTEMBER 2020 QUARTER PRODUCTION RESULTS			
	Q3 19	**Q3 20**	**Var Q3 20 to Q3 19**
Volume processed (m^3 bulked)	72,069	**66,597**	-8%
Carats recovered	7,603	**9,387**	23%
Grade recovered (cphm^3)	10.6	**14.1**	34%
+4.8ct diamonds recovered	297	**314**	6%
+10.8ct diamonds (Specials) recovered	97	**95**	-2%
Closing diamond inventories (carats)	4,903	**2,104**	-57%

Table 2: SML treatment and recovery results

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Alluvial resource

Although slowed by the COVID-19 pandemic, SML auger drilling programs continued to delineate additional alluvial diamond-bearing gravels during the Quarter, in both the terraces and leziria areas along the Cacuilo River.

During the Quarter 1,479 auger holes were completed for a total of 13,191m.

Priority was given to drilling terraces in Mining Blocks 28 and 46 to the south, to better define additional mining areas ready for the approaching wet season.

Diamond sales

SML completed the sale of 9,964 carats of diamonds during the Quarter for gross revenues of US$11.6m (A$16.3m) achieving an average price per carat of US$1,162 (A$1,630) per carat (Table 3).

Total sales year to date totalled 16,128 carats for US$21.3m (A$31.2m) or US$1,323 (A$1,932) per carat.

SML DIAMOND SALES			
	Q3 19	**Q3 20**	**Var Q3 20 to Q3 19**
Rough carats sold	5,839	**9,964**	71%
Rough diamond sales (US$m)	6.7	**11.6**	74%
Rough price per carat (US$)	1,143	**1,162**	2%

Table 3: SML sales of Lulo alluvial diamonds

SML held a diamond inventory of 2,104 carats at the end of the Quarter.

Cutting and polishing partnership

A total of 6,102 carats were sold by SML in Q3 into the cutting & polishing partnership.

Under this partnership agreement SML is paid the full rough market value of the diamonds and shares in a significant portion of polished margins generated thereafter.

MOTHAE KIMBERLITE MINE, LESOTHO
(Mothae Diamonds (Pty) Ltd - Lucapa 70%; Government of the Kingdom of Lesotho 30%)

Mining operations

Due to the ongoing impact of the COVID-19 pandemic and resultant lockdowns on the operation, Mothae remained on care and maintenance for the whole Quarter.

As alluded to in the Q2 20 quarterly (Refer ASX announcement 9 July 2020), Lucapa and Mothae management have during the care & maintenance period continued to investigate and scope opportunities to restart the Mothae mine as soon as possible. This led to the approval of the Mothae restart plan and the approval by the Government of Lesotho ("GoL") of a new diamond marketing channel in September 2020 (refer ASX announcement 9 September 2020).

Mothae officially restarted mining and treating operations post Quarter end (refer ASX announcement 8 October 2020).

MOTHAE SEPTEMBER 2020 QUARTER PRODUCTION RESULTS			
	Q3 19	**Q3 20**	**Var Q3 20 to Q3 19**
Tonnes processed	298,726	-	-100%
Carats recovered	7,007	-	-100%
Grade recovered (cpht)	2.4	-	-100%
+4.8ct diamonds recovered	135	-	-100%
+10.8ct diamonds (Specials) recovered	39	-	-100%
Closing diamond inventories (carats)	6,378	**784**	-88%

Table 4: Mothae treatment and recovery results

As per the ASX announcement dated 9 September 2020, the Company has investigated solutions and plans to expand the processing capacity at Mothae that should see a material increase in returns from the mine for all stakeholders following implementation. The Company will update the market on the expansion plan in due course.

Diamond sales

No diamond sales were concluded during the Quarter.

Total sales year to date totalled 10,268 carats for US$4.1m (A$6.4m) or US$402 (A$623) per carat.

Mothae held a diamond inventory of 784 carats at the end of the Quarter.

During the Quarter, the GoL, Lucapa and Mothae executed a Heads of Agreement ("HoA") in respect of a new diamond marketing channel. This HoA paves the way for the regular run of mine diamond production from the Mothae mine to be committed and sold at full rough market value into a direct offtake partnership with a diamantaire. Through this new channel, Mothae will now regularly accrue additional benefit in the form of shared polished margins beyond the mine gate.

Cutting and polishing partnership

Earlier in the year, following a special approval received from the GoL during the COVID-19 suspension, Mothae sold a parcel of 3,962 carats into a cutting & polishing partnership (Refer ASX announcement 14 April 2020). Under this sale Mothae was paid the full rough market value of the diamonds upfront and received its share of polished margins generated at the beginning of Q4 20.

Kimberlite resource

Post Quarter end an update to the Mothae Kimberlite JORC Resource was announced (refer ASX announcement 15 October 2020), resulting in a ~280% increase in the JORC classified Indicated Resource to 9.2 Mt and 280k carats at an average value of $635 per carat.

OTHER PROJECTS

A sampling program commenced at the Brooking Project during the Quarter. A total of 24 soil and stream heavy mineral samples and 114 soil geochemistry samples were taken and sample analysis is currently underway in Perth. The sampling program will further define existing heavy mineral target areas for follow up work.

No work was undertaken at the Orapa Area F (Botswana) kimberlite exploration project during the Quarter, in line with Lucapa's focus on maximising revenue generation at its operating mines as a primary objective and the more recent cash preservation measures brought about by the COVID-19 pandemic.

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CORPORATE

Lucapa's cash balance was US$1.5m (A$2.2m) at Quarter end and Mothae held 784 carats in diamond inventory. In addition, SML held a cash and receivables balance of US$10.1m (A$14.1m) as well as a 2,104 carat diamond inventory at Quarter end.

On 30 July 2020 Lucapa held its Annual General Meeting (AGM) at The Celtic Club, 48 Ord Street, West Perth, Western Australia, with all resolutions passed by way of poll (refer ASX announcement 30 July 2020).

During the Quarter Lucapa completed the restructuring of its loans with Equigold Pte Ltd ("Equigold") New Azilian Pty Ltd ("New Azilian") and with Mothae's external financier, the Industrial Development Corporation of South Africa (the "IDC") (refer ASX announcement 14 August 2020), the net effect of which defers ~US$13.0m in loan repayments from 2020 & 2021 to 2022 and beyond. The amended terms include:

- Payment in respect of principal, reduction in finance charge, reductions in and the extension of a significant portion of the outstanding principal amount in respect of the Equigold loan;
- Payment in respect of principal, share and option issue in respect of a debt restructuring fee (to be approved at the upcoming General Meeting), reduction in finance charge and the extension of the outstanding principal amount in respect of the New Azilian loan;
- Payment of ZAR4.3m in accrued interest, payment holidays for 2020 in respect of quarterly principal instalments and Q2 & Q3 interest in respect of the IDC loan.

Subsequent to Quarter end, the Company allotted 3,252,835 fully paid ordinary shares pursuant to conversion notices to Equigold in respect of the quarterly interest and fees due in accordance with the terms of the Equigold loan facility (Refer ASX announcement 9 October 2017). This share issue increased Equigold's percentage ownership in the Company from 8.1% to 8.6%.

On 2 October 2020, the Company notified shareholders that it is convening a General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 12 November 2020 at 11 am (WST) to consider the issue of shares and options to New Azilian as part fee in respect of the debt restructuring referred to above.

The Company will provide further updates accordingly.

Authorised by the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

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ABOUT LUCAPA

Lucapa is a niche diamond producer with high-value mines in Angola (Lulo) and Lesotho (Mothae).

The Lulo alluvial mine and Mothae kimberlite mine both produce large and high-value diamonds, with >75% of revenues generated from the recovery of +4.8 carat stones.

Lulo has produced 15 +100 carat diamonds to date and is one of the highest average US$ per carat alluvial diamond producers in the world. Lucapa and its Project Lulo partners have also received highly encouraging results from their search to discover the primary hard-rock source of the high-value Lulo alluvial diamonds.

The new 1.1 Mtpa Mothae kimberlite mine in diamond-rich Lesotho commenced commercial mining operations in January 2019. It produced > 30,000 carats in its first year of production, including 3 +100 carat diamonds.

Lucapa's Board and management team have decades of diamond industry experience across the globe with companies including De Beers and Gem Diamonds.

Competent Person's Statement

Information included in this announcement that relates to exploration results and resource estimates is based on and fairly represents information and supporting documentation prepared and compiled by Richard Price MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Price is an employee of Lucapa Diamond Company Limited. Mr Price 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 Price consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

No New Information

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

Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement.

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SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 2020					
Country	**Type**	**Size (km²)**	**Period**	**Interest (%)**	**End date**
Angola	Kimberlite (primary) exploration	3,000	5 years	39	Apr-23
Angola	Alluvial (secondary) mining and exploration	1,500	10 years	40	Jul-25
Lesotho	Mining Licence	47[1]	10 years	70	Jan-27
Botswana	Reconnaissance	8	2 years	100	Sep-20[2]
Australia	Exploration Licence	72	5 years	80	Dec-20
Australia	Exploration Licence	13	5 years	80	Mar-24
Australia	Exploration Licence	29	5 years	80	Jun-22
Australia	Exploration Licence	3	5 years	80	Jun-23

Table 5: Schedule of tenements

[1] Area includes the protection and production area

[2] An application for extension of the license has been submitted