



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021

KEY HIGHLIGHTS

- **Strong operating performances** and **resurgent diamond market** in first 9 months CY2021, with year-to-date attributable¹ revenue of A\$46.9 million
 - **Record Q3 plant throughput and carat recoveries at Lulo (Angola)** - on track to achieve full year processing target
 - **Record Q3 plant throughput at Mothae (Lesotho)** - significant weather and expansion ramp up challenges resolved
 - **Continued large and high-value diamond recoveries in Q3, including higher priced fancy pink diamonds**
- **Significant ~45% upgrade to full year CY2021 attributable cash operating margin (EBITDA) guidance of A\$26 – 28 million**
- Lucapa received **A\$2.6 million in development capital loan repayments from SML** while Mothae reduced its debt to the Industrial Development Corporation of South Africa by **A\$1.1 million**
- **Attributable cash and receivables balance of A\$34.7 million**
- **Diamond market recovery continues** with strong demand and constrained supply driving prices to levels last seen in 2012
- **Lulo kimberlite sampling plant due in Q4 and samples now being transported for processing**
- **Good progress towards satisfying conditions precedent** to the Merlin acquisition, anticipated Q4
- **Lucapa reclassified from a mining exploration entity to a mining producing entity by the ASX**

Lucapa Diamond Company Limited (ASX: **LOM**) ("**Lucapa**" or "**the Company**") is pleased to present its quarterly activities report for the Quarter ended 30 September 2021 (the "**Quarter**" or "**Q3**").

TABLE 1: TOTAL ATTRIBUTABLE¹ OPERATIONAL RESULTS

	Q3 2021		Q3 2021 YTD	
	Total Attributable	% Variance 2021 to 2020	Total Attributable	% Variance 2021 to 2020
Tonnes processed ²	324,115	616%	843,409	146%
Carats recovered	10,475	179%	25,366	117%
Rough price/ carat (US\$)	995	-14%	1,298	55%
Rough diamond revenues (US\$m)	8.6	86%	35.6	212%
Rough diamond revenues (A\$m)	11.7	80%	46.9	177%
Closing diamond inventories (carats)	4,694	238%		
Cash and receivables (US\$m)	25.1	357%		
Cash and receivables (A\$m)	34.7	352%		

Managing Director Stephen Wetherall commented "Lucapa continued to deliver against our strategic priorities, and we are very satisfied with the results and production records, particularly as we faced some operational headwinds. The market for diamonds continued to be buoyant in a constrained rough supply environment, with prices at levels not seen since 2012. As a result, we have upgraded our full year guidance."

¹ Attributable ownership in the projects based on Lucapa's holding. This is a non-AIFRS measure. For statutory reporting purposes, SML is equity accounted given Lucapa holds a 40% interest and Mothae is consolidated given Lucapa holds a 70% interest

² Lulo mine volume processed has been converted from bulked m³ to tonnes

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021

Immediately following the September 2021 Quarter end and after solid operational performances year-to-date, notwithstanding some operational challenges, Lucapa upgraded the guidance for the full year CY2021 (on an attributable basis) on 14 October 2021 as follows:

REVISED FULL YEAR CY2021 ATTRIBUTABLE GUIDANCE					
		Lulo (40% Attributable)	Mothae (70% Attributable)	Corporate & Other Exploration	Revised CY2021 Lucapa (Total Attributable)
Production	Carats	11,200 – 12,000	23,800 – 25,200	-	35,000 – 37,200
Sales	Carats	11,400 – 11,800	27,300 – 27,650	-	38,700 – 39,450
Average price	US\$/carat	2,600 – 2,700	675 – 720	-	1,242 – 1,312
Cash operating cost	US\$/carat	1,125 – 1,175	500 – 525	-	828 – 844
Revenue	A\$m	41 – 44	25 – 27	-	66 – 71
Cash operating cost	A\$m	18 – 19	19 – 20	3 – 4	40 – 43
EBITDA*	A\$m	23 – 25	6 – 7	(3) – (4)	26 – 28
Margin	%	56% – 57%	26% – 27%	-	39% – 40%
AISC	US\$/carat	1,125 – 1,175	500 – 525	-	828 – 844
Exploration/ development spend^	A\$m	-	-	8 – 10	8 – 10
Growth capital	A\$m	3 – 5	3 – 4	-	6 – 9

* EBITDA, a non-AIFRS measure, is equal to rough diamond revenue less total cash operating costs (including ore/ gravel and waste/ overburden mining, processing, on- and off-site overhead costs, royalties and selling costs and inventory movements)

^ Exploration/ development spend relates to the investments to be made by Lucapa in the Merlin and Lulo JV projects

As a result of this stellar performance in 2021, Lucapa is anticipating higher levels of development capital loan repayments and dividends to flow from Lulo.



LULO, ANGOLA ALLUVIAL MINE

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

The Lulo mining operation continued to perform well during the Quarter, once again displaying the positive effect of the expansion to the mining fleet in late 2019/ early 2020 with 121,514 m³ processed, an 82% improvement to the prior year comparative quarter (Table 2). The volume processed of 367,231 m³ by Quarter end is already an annual record with the fourth Quarter still to come. The mine is well on track to achieve its target of 497,111 m³ for the full year.

TABLE 2: LULO PRODUCTION RESULTS AND RECOVERIES							
	100% Project						40% Attributable
	Q3			Q3 YTD			2021
	2020	2021	Var	2020	2021	Var	
Volume processed (m ³ bulked)	66,597	121,514	82%	206,273	367,231	78%	146,892
Carats recovered	9,387	9,444	1%	17,222	20,650	20%	8,260
Grade recovered (cphm ³)	14.1	7.8	-45%	8.3	5.6	-33%	5.6
+4.8 carat diamonds	314	328	4%	536	668	25%	267
+10.8 carat diamonds (Specials)	95	83	-13%	167	227	36%	91

Mining was focussed on two leziria (or floodplain) areas of MB24 and MB19 and the MB23 terrace during the Quarter. The grade achieved of 7.8 cphm³ was in line with plan, however the variance to the comparative quarter is a result of the mining focussing on the higher grade MB06 leziria area in the prior year.

Lulo also achieved a monthly record in July with 4,317 carats recovered and a quarterly record with 9,444 carats recovered in the Quarter (Table 3). In total, 83 Specials were recovered during the Quarter, with the largest stone being a 94 carat D-colour Type IIa white diamond. Several rare fancy pinks were also recovered in the Quarter.

TABLE 3: LULO SALES RESULTS AND INVENTORIES

	100% Project						40% Attributable
	Q3			Q3 YTD			
	2020	2021	Var	2020	2021	Var	2021
Rough carats sold	9,964	7,804	-22%	16,128	19,660	22%	7,864
Rough diamond revenue (A\$m)	16.2	18.1	11%	31.2	68.7	121%	27.5
Rough diamond revenue (US\$m)	11.6	13.2	14%	21.3	52.1	144%	20.8
Rough price/ carat (US\$)	1,162	1,694	45%	1,323	2,648	100%	2,648
Polishing margins (US\$m)	-	-	-	-	1.8	-	0.7
Diamond inventories (carats)	2,104	5,300	152%	2,104	5,300	152%	2,120
Cash and receivables (US\$m)	10.1	22.3	121%	10.1	22.3	121%	8.9

Demand for high-colour and high-quality diamonds continued to be robust during the Quarter, leading to an average price of US\$2,648/ carat for the year-to-date, a 100% increase over the comparative prior year period. Current rough diamond prices were last seen in 2012 indicating how the industry has rebounded following the pandemic.

The year-to-date revenue for Lulo is already an annual record with Q4 still to come including a Special and fancy coloured stone sale event featuring six high-value Lulo diamonds held from sale during the Quarter.

The cutting and polishing partnership continues to deliver additional margins to the mine with many stones awaiting sale or in the manufacturing stage.



A selection of rough white, pink and yellow diamonds recovered during the quarter

ALLUVIAL EXPLORATION

Alluvial exploration by SML continued during the Quarter with 1,586 auger holes and 519 exploration pits completed to define the gravel resources.

Excavation of a large bulk sample from MB57, which is immediately upstream from the Canguige River confluence with the Caculo River has commenced with 8,270 m³ of gravel excavated and stockpiled awaiting transport to the plant.

Information from this sampling program is relevant to both the alluvial mining program (where a significant gravel deposit has been identified) and the kimberlite exploration program as it will assist in determining the potential of additional primary sources of diamonds existing upstream of the Canguige catchment.

KIMBERLITE EXPLORATION

(conducted by Project Lulo Joint Venture ("Project Lulo JV") – Lucapa 39%, Endiama 51% and Rosas & Petalas 10%)

The planned delineation drilling program of priority targets selected during the exploration review in 2019 has been completed, with all the targets now ready for bulk sampling. Ten holes were drilled during the Quarter for a total length of 336m.

A further 25 anomalies were also selected for discovery drilling. Of these, nine targets have been drilled to date for a total length of 600m. Kimberlite has been confirmed at eight of the targets, with further drilling planned at a target where no kimberlite has yet been intersected. The drilling has been focussed on anomalies and areas where access will be hampered during the upcoming wet season.

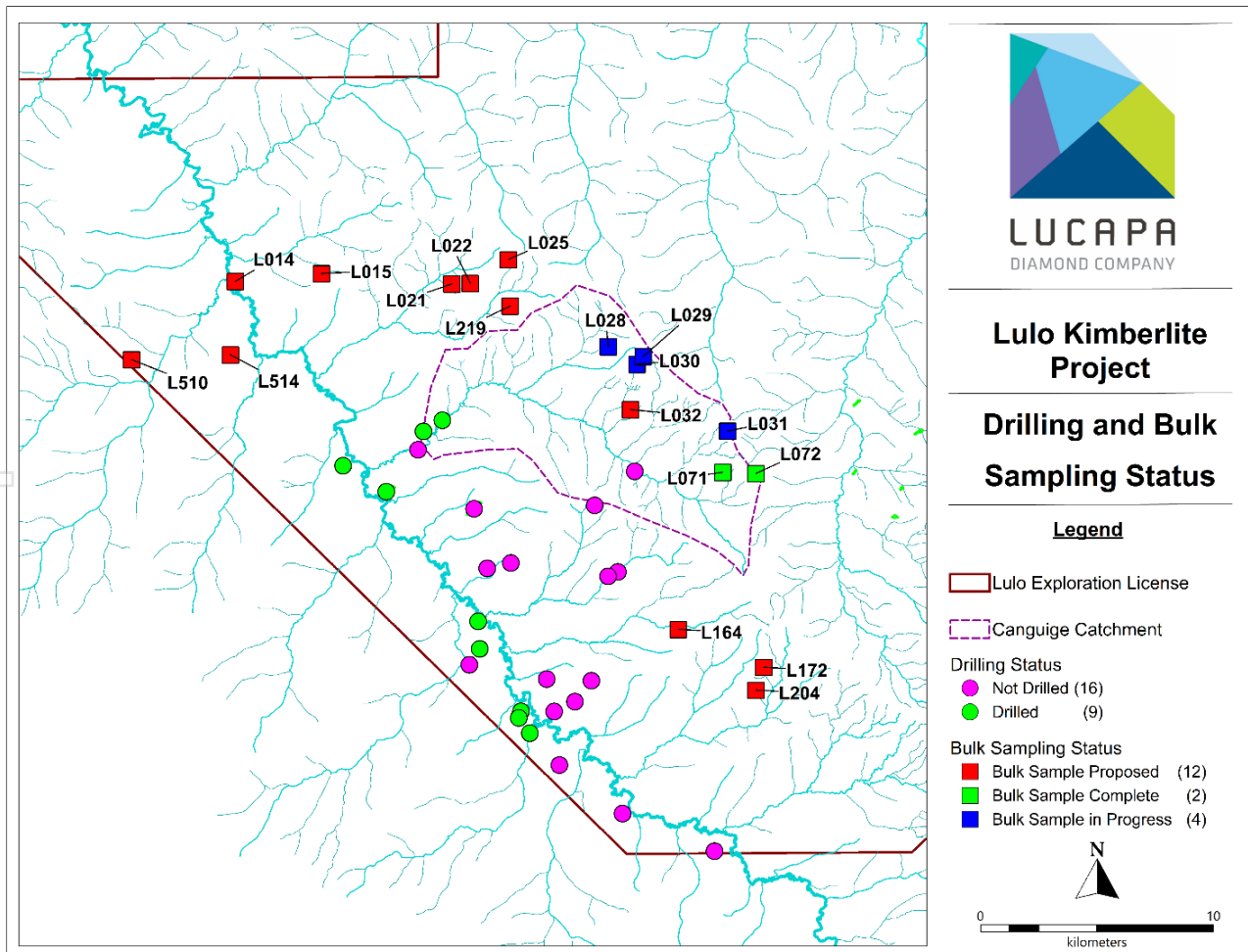


Figure 1: Location of the 18 priority kimberlites selected for bulk sampling and the additional 25 anomalies selected for drilling

On-road haul trucks purchased were delivered late in the Quarter to Angola due to vendor delivery delays. However, following their recent delivery to site, kimberlite bulk sample movement has now recommenced and material from the two pits previously excavated is currently being transported to the existing plant for processing during Q4. Further samples are planned for excavation and transportation to the plant.

The construction of the self-contained kimberlite crushing plant ordered (refer ASX announcement on 8 July 2021) is well underway in South Africa, with delivery to site expected to occur during Q4.

In addition, during the Quarter, a stand-alone kimberlite bulk sampling plant was ordered, and deposit paid. The construction of the scrubbing and screening, DMS and x-ray recovery modules has commenced, and the plant will be integrated with the crushing plant on arrival at site later in Q4. Site preparation is well underway with materials for civil works enroute.



MOTHAЕ, LESOTHO KIMBERLITE MINE

(conducted by Mothae Diamonds (Pty) Ltd ("Mothae") - Lucapa 70% and Government of Lesotho ("GoL") 30%)

The Mothae mining and processing operations improved during the Quarter. The plant achieved record throughput for a Quarter of 344,978 tonnes (Table 4) and its highest average feed rate post the plant upgrade. This was achieved despite ramp up, inclement weather, challenges relating to electricity supply and unscheduled plant downtime. With many of the challenges overcome and warmer weather approaching, it is expected the plant ramp up in the fourth quarter will deliver against plan.

TABLE 4: MOTHAЕ PRODUCTION RESULTS AND RECOVERIES

	100% Project						70% Attributable
	Q3			Q3 YTD			
	2020	2021	Var	2020	2021	Var	2021
Tonnes processed	-	344,978	-	289,012	848,133	193%	593,693
Carats recovered	-	9,567	-	6,855	24,437	256%	17,106
Grade recovered (cpht)	-	2.8	-	2.37	2.9	21%	2.9
+4.8 carat diamonds recovered	-	208	-	137	467	241%	327
+10.8 carat diamonds (Specials)	-	60	-	38	128	237%	90

During the Quarter, Mothae recovered 9,567 carats and delivered a monthly record in August with 3,776 carats recovered. The largest diamond recovered during the Quarter was 51 carats, with fancy light pinks and yellows also recovered. There were 208 diamonds greater than 4.8 carats and 60 Special stones recovered during the Quarter.

During Q4, the mine will be carrying out trials to determine if continuous miner technology can mine and deliver a fine feed envelope of ROM ore to the plant which Lucapa believes will result in meaningful increased efficiencies and cost reductions.

TABLE 5: MOTHAE SALES RESULTS AND INVENTORIES

	100% Project						70% Attributable
	Q3			Q3 YTD			
	2020	2021	Var	2020	2021	Var	2021
Rough carats sold	-	7,886	-	10,268	27,946	172%	19,562
Rough diamond revenue (A\$m)	-	6.4	-	6.4	27.7	333%	19.4
Rough diamond revenue (US\$m)	-	4.7	-	4.1	21.1	412%	14.8
Rough price/ carat (US\$)	-	596	-	402	756	88%	756
Polishing margins (US\$m)	-	0.7	-	-	1.0	-	0.7
Diamond inventories (carats)	784	3,678	369%	784	3,678	369%	2,574
Cash and receivables (US\$m)	0.1	2.1	-	0.1	2.1	2,049%	1.5

As with Lulo, the average prices achieved for Mothae have been favourably impacted by the recovering diamond market, with year-to-date prices of US\$756/ carat being 88% ahead of those achieved in the prior year comparative period (Table 5).

The cutting and polishing partnership continues to deliver additional margins to the mine with many stones awaiting sale or still in the manufacturing stage.

NEW MINE CAMP AND ADMINISTRATION OFFICES

During the Quarter, good progress was made with the majority of the Mothae camp and administration offices now moved to their new permanent site. The kitchen, dining hall, administration offices, health clinic and accommodation blocks were handed over by the contractor on time and on budget and are being fully utilised by the mine. The balance of the accommodation units will be relocated prior to the end of Q4.

Additional facilities such as a recreation room, gym, training centre and others will be added shortly to improve the wellbeing and comfort of the mine-site team at Mothae.



Relocation of new camp and mine offices at Mothae mine in Lesotho



MERLIN, AUSTRALIA

(in process of being 100% acquired by Lucapa's wholly owned subsidiary, Australian Natural Diamonds Pty Ltd ("AND"))

Good progress was made during the Quarter towards satisfying the conditions precedent ("CP's") to conclude the acquisition of the Merlin Diamond Project by Lucapa.

Lucapa anticipates that the key outstanding CP's will be satisfied in Q4. As a result of the progress made towards completing the transaction and to commence with its site establishment at Merlin, AND, post the Quarter end, paid the part consideration of A\$1.1 million relating to the environmental security bond to the Northern Territory Government. AND has already mobilised and recommissioned the camp with all essential services re-established, including power, water supplies and communications.

The remaining A\$7.4 million consideration amount will be payable on completion of the transaction.

OTHER EXPLORATION PROJECTS

BROOKING

A program of ground magnetics, electromagnetics and gravity surveys is planned to commence shortly at Brooking over priority targets identified during the 2020 exploration program and from further interpretation of historical information. These surveys are expected to define drill-ready targets to be drilled and/ or pitted during the upcoming 2022 field season.

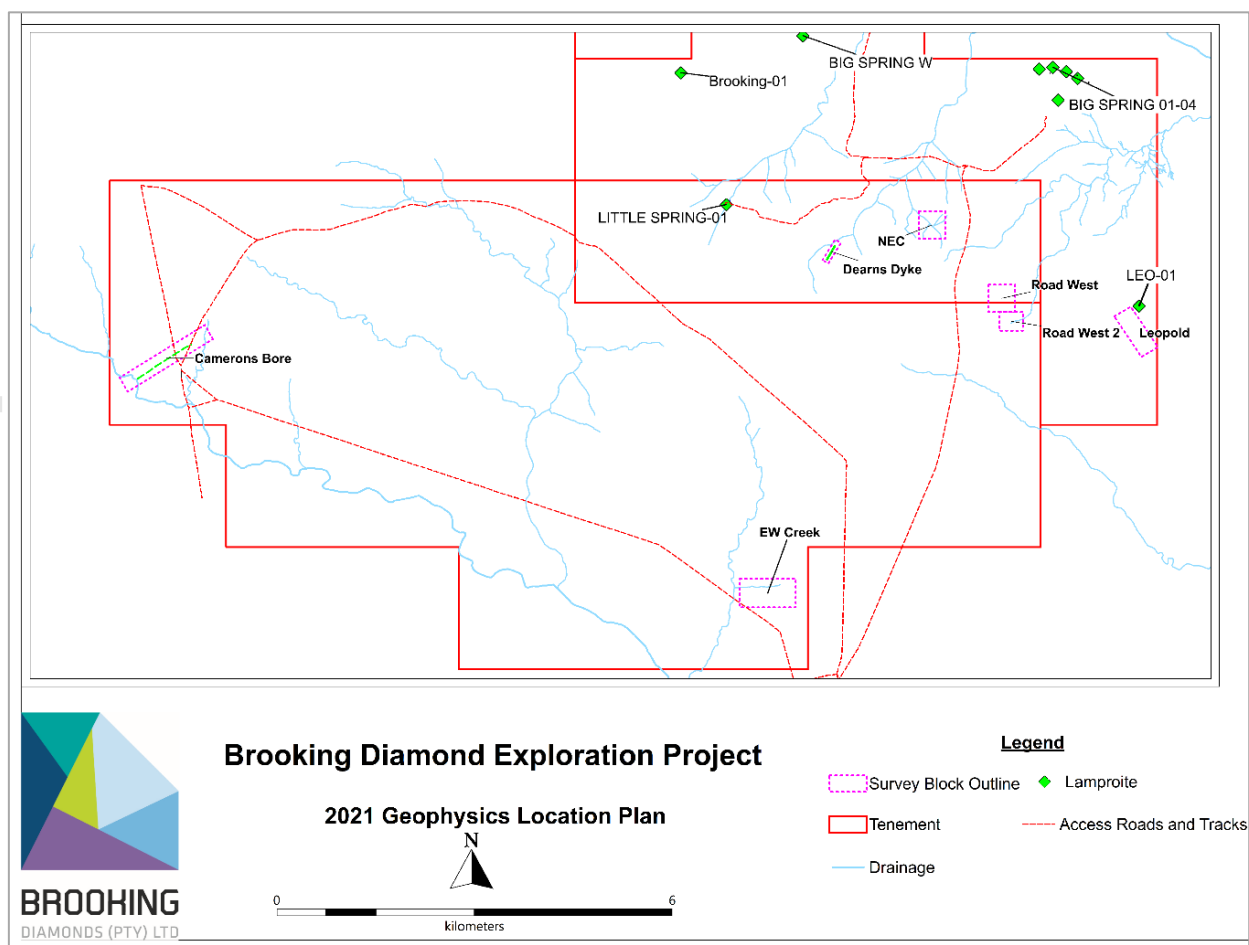


Figure 2: Brooking tenements outlining survey blocks and previous lamproite discoveries

ORAPA AREA F

Lucapa will commence drilling its identified targets on the tenement in Botswana as soon as the extension of the exploration license is granted.

HEALTH & SAFETY AND COMMUNITY

COVID-19 protocols remain in place for all employees and contractors at Lulo and Mothae including daily screening at the mine entrance gates.

Lulo's team assisted the local municipality in a COVID-19 vaccination program for employees and contractors at Lulo and the local population in the nearby villages, resulting in more than 90 percent of Lulo personnel being vaccinated. The quarantine restrictions for fully vaccinated expats returning to the country have been lifted on both site and in Luanda.

In Lesotho, more than 80 percent of the Mothae workforce are now vaccinated, thanks to the Government of Lesotho sponsored vaccine roll out.

Lulo recorded a Lost Time Injury ("LTI") during September 2021, ending a run of 14 months of being LTI free. The injury was minor, and the employee is back at work. The 12-month rolling lost time injury frequency rate (LTIFR) ending 30 September at Lulo is 0.22.

Mothae had no LTI's for the Quarter and the site has been LTI free since January 2018. The 12-month rolling lost time injury frequency rate (LTIFR) ending 30 September continues to be 0.00.

During the Quarter, the group continued with a number of its community initiatives at its operations.

At Mothae, the mine has continued to source its fresh produce from local farmers who participated in the agricultural kick start program, which is now in its third year. Under the program, the mine supplied seed and fertiliser to farmers to grow fruit and vegetables so the mine's kitchen could repurchase the produce.

The mine also commenced a major upgrade of a primary school in Lesotho, which follows the refurbishment of another nearby primary school by Mothae earlier in the year.



Government of Lesotho Honourable Minister of Mines, Mothae Directors and senior management and school staff at the opening of the refurbished classroom at a primary school in Mapholaneng in Lesotho

In Angola, the Lulo mine undertook borehole drilling, upgraded equipment and built solar power supply in the Xamiquelengue village.



Borehole drilling at the Xamiquelengue Primary School in Angola

CORPORATE

During the Quarter, Lucapa received A\$2.6 million (US\$1.9 million) in development capital loan repayments from SML while our Mothae operations reduced its debt to the Industrial Development Corporation of South Africa by A\$1.1 million (US\$0.8 million).

Post the Quarter end, as a consequence of Lucapa's total revenue from production exceeding its total expenditure on exploration and development for the prior 12 months, LOM has been reclassified by the ASX from a mining exploration entity to a mining producing entity. As such, an Appendix 5B is no longer required to be lodged on a quarterly basis and in future the Company will lodge its required quarterly activities reports and preliminary final reports (Appendices 4D and 4E).

During the previous Quarter, Lucapa concluded a A\$20.0 million (before costs) placement to sophisticated and institutional investors at an issue price of A\$0.05 per share and also completed a share purchase plan raising A\$1.7 million at the same price. The second tranche of the placement amounting to A\$10.2 million (before costs) was received during the Quarter.

As at Quarter end, the group's cash balance was A\$23.3 million and the attributable cash and receivables balance was A\$34.7 million. Mothae held cash of A\$2.9 million (US\$2.1 million) and a diamond inventory of 3,678 carats (Table 5) at the end of the Quarter.

Lucapa's equity accounted associate, SML, held a cash balance of A\$30.8 million (US\$22.3 million) as well as a diamond inventory of 5,300 carats at Quarter end (Table 3). Lucapa have proposed to the SML shareholders to declare an interim dividend and loan repayment following the strong financial performance during 2021, to be approved at the upcoming SML shareholder General Assembly.

TABLE 6: DEVELOPMENT LOANS OWING TO LUCAPA				
		As at 30 September 2021		
		SML	Mothae	Total
Development loans owing to Lucapa (loan assets)		37.0	53.4	90.4
JV partner share of loan asset (SML - 60%, Mothae - 30%)	A\$m	22.2	16.0	38.2
Attributable to Lucapa shareholding (SML - 40%, Mothae - 70%)		14.8	37.4	52.2

Of a total of A\$90.4 million in development loans (loan assets) owing to Lucapa (by SML and Mothae) as at Quarter end, A\$38.2 million relates to the joint venture partners shareholding (Table 6). Lucapa's external debt as at Quarter end was A\$30.8 million (A\$28.4 million on an attributable basis).

In accordance with ASX Listing Rule 5.3.5, the Company advises that payments made to related parties and their associates during the Quarter included US\$417k for executive and Non-executive Directors' remuneration and fees (including superannuation), US\$32k in respect of office rent to an entity associated with Non-executive Chair, Miles Kennedy and US\$592k in respect of interest on the loan from New Azilian Pty Ltd, an entity associated with Non-executive Director, Ross Stanley. Net inter-group funding payments made during the Quarter to subsidiaries, including Australian Natural Diamonds Pty Ltd in respect of Merlin, amounted to US\$0.7 million.

Authorised by the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

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ABOUT LUCAPA

Lucapa Diamond Company Limited is an ASX listed diamond miner and explorer with assets in Africa and Australia. It has interests in two producing diamond mines in Angola (Lulo) and Lesotho (Mothae). The large, high-value diamonds produced from these two niche mines, which account for more than 75% of their revenue, attract some of the highest US\$ prices/ carat for rough diamonds in the world.

Lulo mine has been in commercial production since 2015, while Mothae commenced commercial production in 2019.

Lucapa has also recently signed a binding agreement to acquire the Merlin Diamond Project in the Northern Territory, Australia. It consists of a 24km² mining lease and a 283km² exploration tenement encompassing the mining lease. The mining lease contains 11 previously discovered kimberlite pipes in three kimberlite clusters with an existing 4.4 million carat JORC 2012 compliant resource.

The Board, management and stakeholders in Lucapa and its operations have deep global diamond industry experience and networks all through the value chain from exploration to retail.

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 this 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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TABLE 7: SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 2021

Country	Type	Size (km ²)	Period	Interest (%)	End date
Angola	Kimberlite (primary) exploration	3,000	5 years	39	May-24
Angola	Alluvial (secondary) mining and exploration	1,500	10 years	40	Jul-25
Lesotho	Mining Licence	47*	10 years	70	Jan-27
Botswana	Reconnaissance	8	2 years	100	Sep-20^
Australia	Exploration Licence	72	5 years	80	Dec-22
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

* Area includes the protection and production area

^Application for licence extension has been submitted