

Quick Comment

Lucapa Diamond Co. Ltd (LOM \$0.25) Speculative Buy

Analyst	Date	Price Target
Andrew Clayton	11th January 2018	\$0.60/sh

Diamond Discovery at Brooking Prosepect, WA.

Key Points

- 119 diamonds including 7 macro diamonds recovered from a single drill hole at the Little Springs Creek Prospect (part of the 80% owned Brooking project). The drill hole targeted a geophysical anomaly identified in early CY'17 from a EM survey.
- Lamproitic material intersected close to surface and extended to a vertical depth of ~70m. Core intervals from depth between 12.6m and 68.3m selected for micro diamond analysis (total core sample 86.8kg).
- Little Springs is located within 50km of the Ellendale diamond mine, which, when in production produced more than 50% of the worlds annual supply of fancy yellow diamond.

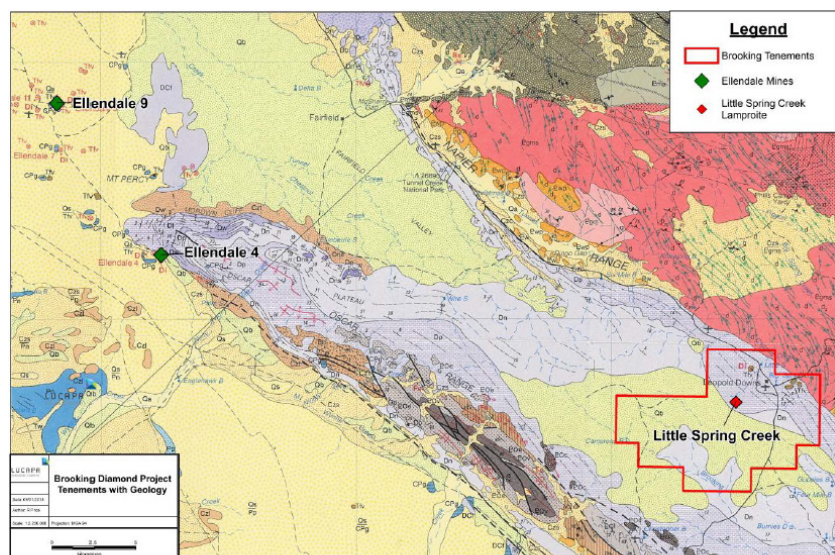


Figure 2: Location of the Little Spring Creek prospect within the Brooking project and proximity to the Ellendale E9 and E4 diamond mines

Source: Lucapa Diamond Co. Ltd

- Further work is planned post the wet season to define the limits of the lamproite at Little Springs Creek, including drilling and bulk sampling.

Investment Thesis

This is an exceptional result to recover seven macro diamonds and 119 diamonds from the first drill hole into a geophysical target. Whilst the quality of the diamonds is unknown, this result certainly enhances the value of its surrounding tenements. Whilst most of the focus has been on Lulo and the Mothae (Lseotho) acquisition, this result demonstrates some of the hidden value within LOM's portfolio. The key value driver remains the discovery of a diamond bearing kimberlitic source at its Lolo operation and development of Mothae which is slated for mid CY'18. Our valuation remains at \$0.64/sh and PT at \$0.60/sh.

Lucapa Diamond Co. Ltd

Share Price	0.25	A\$/sh	Enterprise Value	91	A\$/m
Price Target	0.60	A\$/sh	Debt	10	A\$/m
Valuation	0.64	A\$/sh	Cash	8	A\$/m
Shares on issue	355	m(dil)	Largest Shareholder		
Market Capitalisation	89	A\$m	Dir & Mgt	1.5%	m(dil)

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