

Quick Comment

Lucapa Diamond Co Ltd (LOM \$0.225) Speculative Buy

Analyst	Date	Price Target
Michael Emery	11 th October 2018	\$0.61/sh

Brooking Exploration Program Update

Key Points

- Latest program designed to follow up on spectacular LSC discovery and follow-up drill results;
- Bulk sampling of LSC currently underway to assess commercial macro diamond value and grade;
- ~100t bulk sample of lamproitic material will be trucked to Perth for assessment;



Trenching and bagging of lamproite bulk sample from Little Spring Creek

Source: Lucapa Diamond Co Ltd

- Heritage clearances received for further drilling of 10 new lamproite targets identified by the recent TDEM survey of the broader Brooking project, awaiting DMP approval of Program of Works;
- While early drill results are encouraging at LSC, this bulk sampling program will better define the prospectivity of the discovery;
- Brooking is blue sky for LOM, with the imminent commissioning of the Mothae diamond mine in Lesotho and ongoing Angolan alluvial diamond production underpinning \$0.52/sh of our \$0.61/sh Valuation;

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Investment Thesis

Lucapa is a profitable producer of high value diamonds in Angola. The Lulo (LOM 40%) alluvial diamond mining operation produces the highest average diamond value of any alluvial mine in the world. Exploration for the kimberlite source is fully funded by alluvial operations and, if found, we expect a material rerating. The Mothae (Lesotho) mine is an exciting near-term high value kimberlite diamond development with Phase 1 production slated for late CY'18. The Brooking (WA) prospect is staggering with 1,100 macro and micro diamonds recovered from a recent follow-up hole, confirming a diamondiferous discovery. Near-term trenching plans should define the significance of the discovery in due course. The high value segment of the diamond market is robust due to scarcity of supply and growth globally in number of uber-wealthy individuals. Our valuation is \$0.61/sh with an eager eye on Mothae and Brooking developments.

Lucapa Diamond Co Ltd (LOM)

Share Price	0.225	A\$/sh	Enterprise Value	122	A\$/m
Price Target	0.61	A\$/sh	Debt	-20	A\$/m
Valuation	0.61	A\$/sh	Cash	13	A\$/m
Shares on issue	479	m(dil)	Largest Shareholder	Tazga Two	8.6%
Market Capitalisation	115	A\$m			

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