



LUCAPA
DIAMOND COMPANY

LUCAPA DIAMOND COMPANY LIMITED

ACN 111 501 663

NOTICE OF 2016 ANNUAL GENERAL MEETING

TIME: 11.00am (WST)

DATE: 26 May 2016

PLACE: The Celtic Club
48 Ord Street
West Perth, WA, 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

If you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary on (+61 8) 9381 5995.

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IMPORTANT INFORMATION

MEETING DETAILS

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at The Celtic Club, 48 Ord Street, West Perth on Thursday, 26 May 2016 at 11.00 am (WST).

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

All Shareholders may attend the Meeting. The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that, for the purposes of voting at the Meeting, Shareholders will be taken as those who are registered on the Company's register of members as at 5.00pm (WST) on Wednesday, 25 May 2016.

VOTING AT THE MEETING OR BY PROXY

You may vote on the items of business to be considered at the Meeting, either in person at the Meeting or by completing, signing and returning the Proxy Form enclosed with this Notice. You can return your Proxy Form to the Company's share registry, Security Transfer Registrars:

- by email to registrar@securitytransfer.com.au;
- by posting it to PO Box 535, Applecross, Western Australia 6953;
- by facsimile to +61 (0) 8 9315 2233;
- by hand to 770 Canning Highway, Applecross, Western Australia, Australia 6153 between 8.00am and 5.00pm Monday to Friday, providing it is not a public holiday in WA.

You may also lodge your proxy online at www.securitytransfer.com.au and by following the instructions set out on the Proxy Form.

The Proxy Form must be returned to the Security Transfer Registrars and be received no later than 11.00am (WST) on Tuesday 24 May 2016.

VOTING BY PROXY

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy may, but need not be, a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the

Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act.

If the case of Shares jointly held by two or more persons, all joint holders must sign the Proxy Form.

Voting restrictions that may affect your proxy appointment

Due to the voting exclusions that may apply to certain items of business, the Key Management Personnel and their Closely Related Parties will not be able to vote your proxy on Resolution 1 unless you have directed them how to vote, or in the case of the Chair, if you expressly authorise him.

Chair voting undirected proxies

The Chair will vote undirected proxies on, and in favour of, all of the proposed Resolutions, except that in respect of Resolution 1, the Chair will only do so where expressly authorised by the Shareholder having marked the appropriate box on the Proxy Form.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

CORPORATE REPRESENTATIVES

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The representative must bring to the Meeting evidence of his or her appointment unless it has been previously given to the Company's share registry, Security Transfer Registrars.

POWERS OF ATTORNEY

A person appearing as an Attorney for a Shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the Meeting.

ASKING QUESTIONS AT THE MEETING

The Meeting is intended to give Shareholders the opportunity to hear both the Chair and the Company's Chief Executive Officer talk about the year that has just passed and also give some insight into the year ahead.

We welcome Shareholders' questions or comments at the Meeting. In the interests of all present, we ask that you confine your questions to matters before the Meeting that are relevant to Shareholders as a whole.

The Company's Auditors will attend the Meeting and the Chair will allow a reasonable opportunity for Shareholders to ask the auditor questions about the:

- conduct of the audit;
- preparation and content of the auditor's report;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- independence of the auditor in relation to the conduct of the audit.

BUSINESS OF THE MEETING

AGENDA

Financial Statements and Reports

To receive and consider the Financial Report, Director's Report and Auditor's Report for the Company for the period ended 31 December 2015.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass with or without amendment the following resolution as a non-binding resolution:

“That for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report contained in the Annual Report.”

Note: In accordance with the Corporations Act the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR GORDON GILCHRIST

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 14.4 and for all other purposes, Gordon Gilchrist, who retires in accordance with rule 6.3(c) of the Constitution, and being eligible offers himself for re-election, be re-elected as a Director.”

3. RESOLUTION 3 – THE ISSUE OF 10% PLACEMENT CAPACITY UNDER LISTING RULE 7.1A

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue under this Resolution and a person who might obtain a benefit, except a benefit solely in their capacity as a security holder if the resolution is passed, and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

4. RESOLUTION 4 – ADOPTION OF INCENTIVE AND RETENTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given for the Company to adopt an Incentive and Retention Plan (**Plan**), and for the issue of Options and Performance Rights under that Plan, on the terms and conditions summarised in the accompanying Explanatory Statement.”*

Voting Exclusion

The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

5. RESOLUTION 5 – ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY – MR MILES KENNEDY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, subject to and conditional on the passing of Resolution 4, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 500,000 Incentive Options and up to 500,000 Performance Rights to Mr Miles Kennedy (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in the Incentive and Retention Plan, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY – MR GORDON GILCHRIST

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional on the passing of Resolution 4, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 250,000 Incentive Options and up to 250,000 Performance Rights to Mr Gordon Gilchrist (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in the Incentive and Retention Plan, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on

the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 - ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY - MR ALBERT THAMM

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional on the passing of Resolution 4, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 250,000 Incentive Options and up to 250,000 Performance Rights to Mr Albert Thamm (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in the Incentive and Retention Plan, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 - ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY - MR STEPHEN WETHERALL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional on the passing of Resolution 4, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 500,000 Incentive Options and up to 1,000,000 Performance Rights to Mr Stephen Wetherall (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in the Incentive and Retention Plan, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 22 APRIL 2016

BY ORDER OF THE BOARD

**MARK CLEMENTS
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires that the Annual Report of the Company be tabled at the Meeting. In addition, the Constitution provides for such reports and statements to be received and considered at the Meeting.

The directors present their report together with the financial report of the Company for the financial year ended 31 December 2015 and independent auditor's report thereon.

Apart from the matters involving remuneration which are required to be voted upon, neither the Corporations Act nor the Company's Constitution requires a vote of members at the annual general meeting on such reports or statements. However, Shareholders will be given ample opportunity to raise questions with respect to these reports at the meeting.

Whilst the Company will not provide a hard copy of the Annual Report unless specifically requested to do so, Shareholders may view the Company's Annual Report through ASX announcements at www.lucapa.com.au.

2. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

2.1 General

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' Report contained in the Annual Report of the Company for the financial year ending 31 December 2015.

The Corporations Act requires the Company to put a resolution to the Shareholder that the Remuneration Report be adopted. In accordance with section 250R(3) of the Corporations Act, the vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

2.2 Voting consequences

In accordance with Division 9 of Part 2G.2 of the Corporations Act, a company is required to put to its Shareholders a resolution proposing the calling of another meeting of Shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a Shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting less than 5% of the votes were cast against the remuneration report considered at that annual general meeting. Accordingly, the Spill Resolution is not relevant for this Meeting.

2.4 Voting exclusion statement

A voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. Key Management Personnel and their Closely Related Parties may not vote on this Resolution and may not cast a vote as proxy, unless the proxy appointment gives direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy. The Chair will use any such proxies to vote in favour of Resolution 1.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR MR GORDON GILCHRIST

Gordon Gilchrist retires under the director rotation provisions of article 6.3(c) of the Constitution. Mr Gilchrist, being eligible, has offered himself for re-election as a Director.

Mr Gilchrist was appointed to the Board in March 2012. Mr Gilchrist holds a MSc in Business and MA in Physics. In 1993, Mr Gilchrist was appointed Managing Director of Argyle Diamond Mines in Western Australia, a position he held until 2002. During that time, Argyle grew to become the world's biggest diamond producer, by volume. Mr Gilchrist then became the founding Managing Director of Rio Tinto Diamonds, based out of Antwerp in Belgium, and served in that capacity until 2005. He lives in Perth, Western Australia.

The board considers Mr Gilchrist to be an independent Director.

3.1 Directors' Recommendation

The Board (other than Mr Gilchrist) recommends that Shareholders vote in favour of Resolution 2. The Chair intends to vote undirected proxies in favour of Resolution 2.

4. RESOLUTION 3 – THE ISSUE OF 10% PLACEMENT CAPACITY UNDER LISTING RULE 7.1A

4.1 General

Listing Rule 7.1A, allows companies that are not included in the S&P/ASX300 Index and have a market capitalisation of \$300 million or less to issue Equity Securities comprising a further 10% of their share capital in a 12 month period (in addition to the standard 15% annual placement capacity permitted under Listing Rule 7.1) on a non pro-rata basis provided that Shareholders approve the issue by passing a special resolution at the company's annual general meeting.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

4.2 Listing Rule 7.1A Approval

Accordingly, the Company is seeking Shareholder approval under Listing Rule 7.1A to issue an additional number of Equity Securities which is equal to up to 10% of the Company's issued share capital in accordance with the formula in Listing Rule 7.1A.2 (**Listing Rule 7.1A Equity Securities**).

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

Equity Securities

Under Listing Rule 7.1A, Equity Securities must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company currently has 3 classes of listed Equity Securities on issue, being the Shares (ASX Code: LOM), \$0.20 options expiring 30 September 2017 (ASX Code: LOMOA) and \$0.30 options expiring 29 April 2016 (LOMOB).

Formula for calculating Listing Rule 7.1A Equity Securities

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

- A** is the number of fully paid shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of fully paid shares issued in the previous 12 months under an exception in Listing Rule 7.2;
 - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (c) plus the number of fully paid shares issued in the previous 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
 - (d) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(a) **Date of issue**

The Listing Rule 7.1A Equity Securities must be issued before the earlier of:

- (i) the date that is 12 months after the date of the Meeting; and
- (ii) the date that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(b) **Minimum Price**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities in that class, calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (b)(i) above, the date on which the Equity Securities are issued.

(c) **Risk of Voting Dilution**

If Resolution 3 is approved by Shareholders and the Company issues Listing Rule 7.1A Equity Securities, the existing Shareholders' voting power in the Company will be diluted as shown in the table below (in the case of Options, only if the Options are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice on a pre-consolidation basis.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Number of Shares on Issue (Variable 'A' in Listing Rule 7.1A.2)	Dilution			
	Number of Shares issued under 10% placement capacity	Funds raised based on issue price of \$0.35 (current price)	Funds raised based on issue price of \$0.175 (50% decrease in current issue price)	Funds raised based on issue price of \$0.525 (50% increase in current issue price)
280,143,589 (Current Variable 'A')	28,014,359	\$9,805,026	\$4,902,513	\$14,707,538
420,215,384 (50% increase in current Variable 'A')	42,021,538	\$14,707,538	\$7,353,769	\$22,061,308
560,287,178 (100% increase in current Variable 'A')	56,028,718	\$19,610,051	\$9,805,026	\$29,415,077

The table has been prepared on the following assumptions:

- (a) There are currently 280,143,589 Shares on issue.
- (b) The Company issues the maximum number of Listing Rule 7.1A Equity Securities;
- (c) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
- (d) No Options (including any Options issued under Listing Rule 7.1A) are exercised into Shares before the date of the issue of the Equity Securities;
- (e) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
- (f) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements of Listing Rule 7.1A Equity Securities, based on that Shareholder's holding at the date of the Meeting;
- (g) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
- (h) The issue of Listing Rule 7.1A Equity Securities consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (i) The issue price is \$0.35, being the closing price of the Shares on ASX on 18 April 2016.

The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may seek to issue the Equity Securities for the following purposes:

- (i) cash consideration. In such circumstances, the Company intends to use the funds raised to advance mining and exploration activities on the Project Lulo Diamond Concession. Subject to the outcome of the recently announced mining and exploration programs, funds would then be used for further feasibility and evaluation studies, corporate administration costs and expansionary capital requirements; or
- (ii) As non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation Policy**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of Listing Rule 7.1A Shares. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees of Listing Rule 7.1A Shares have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees of Listing Rule 7.1A Shares will be the vendors of the new resources assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A. Details of Equity Securities that have been issued since Shareholders last approved the issue of Equity Securities pursuant to Listing Rule 7.1A, at the Company's annual general meeting on 28 May 2015, are set out at Schedule 1 of this Notice.

The Company has issued 14,088,691 Shares pursuant to the Previous Approval.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

4.3 Voting Exclusion

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

4.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3. The Chair intends to vote undirected proxies in favour of Resolution 3.

5. RESOLUTION 4 - ADOPTION OF INCENTIVE AND RETENTION PLAN

5.1 General

Resolution 4 seeks Shareholder approval for the adoption of the incentive employee plan titled Incentive and Retention Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

The Plan will be used as part of the remuneration planning for Directors, employees and certain contractors.

The objective of the Plan is to provide the Company with a remuneration mechanism, through the issue of Incentive Options and Performance Rights, to motivate and reward the performance of Directors, employees and certain contractors.

A Performance Right is exercisable, at no cost, on satisfaction of relevant performance hurdles, into a Share. The vesting conditions for each Performance Right will be determined by the Board prior to the offer.

An Incentive Option, once vested, is exercisable into a Share, at the exercise price offered to the participant. The vesting conditions and exercise price for each offer of Incentive Options will be determined by the Board prior to the offer.

The Board will ensure that the performance hurdles and vesting conditions attached to Performance Rights and Incentive Options granted under the Plan are aligned with the successful growth of the Company's business activities.

The Directors consider that the Plan is an appropriate method to:

- (a) reward Directors, employees and certain contractors for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Directors, employees and certain contractors and generate loyalty; and
- (d) assist to retain the services of valuable Directors, employees and certain contractors.

5.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

One of the exceptions to ASX Listing Rule 7.1 is Listing Rule 7.2 – Exception 9, which provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the 3 years before the date of issue, shareholders have approved the issue as an exception to ASX Listing Rule 7.1.

The effect of Resolution 4 will be to allow the Directors to grant Incentive Options and Performance Rights under the Plan during the period of 3 years after the Meeting (or a longer period, if allowed by ASX), and to issue Shares to those Directors, employees and certain contractors if the performance hurdles and vesting conditions attached to the Performance Rights and Incentive Options, respectively, are achieved, without using the Company's 15% annual placement capacity.

5.3 Additional Information

A summary of the Plan is provided in Schedule 2 to this Explanatory Statement. A copy of the Plan will be made available to any Shareholder on request at the registered office of the Company until the date of the Meeting. Shareholders are invited to contact the Company if they have any queries or concerns.

No Options or Performance Rights have been granted under the Plan.

Any issue of Options or Performance Rights under the Plan to a related party will require Shareholder approval under ASX Listing Rule 10.14.

6. RESOLUTIONS 5 TO 8 – ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS TO RELATED PARTIES UNDER THE INCENTIVE AND RETENTION PLAN

6.1 General

The Company has agreed, subject to obtaining Shareholder approval, that the Directors be issued a total of 1,500,000 Incentive Options and 2,000,000 Performance Rights pursuant to the Plan.

The purpose of the issue of the Incentive Options and Performance Rights to the Directors is to further motivate and reward their respective performances.

The issue of Incentive Options and Performance Rights to Messers Kennedy, Gilchrist, Thamm and Wetherall (and/or their nominees) pursuant to the Plan are the subject of Resolutions 5, 6, 7 and 8, respectively.

The Plan is the subject of Resolution 4 and therefore Resolutions 5-8 are subject to and conditional on the approval of Resolution 4. A summary of the plan is contained at Schedule 2.

6.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Incentive Options and Performance Rights constitutes giving a financial benefit and Messers Kennedy, Gilchrist, Thamm and Wetherall, who are related parties of the Company by virtue of the fact that they are Directors.

The Directors consider that the issue of the Incentive Options and Performance Rights to each Directors has been negotiated on arm's length terms and constitute reasonable remuneration. Accordingly, Shareholder approval is not required for the purpose of section 208 of the Corporations Act.

6.3 ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Messers Kennedy, Gilchrist, Thamm and Wetherall are Directors and the issue is being made pursuant to an employee incentive scheme, therefore Shareholder approval pursuant to ASX Listing Rule 10.14 is required.

6.4 Information required pursuant to ASX Listing Rule 10.15

The following information is provided to satisfy the requirements of ASX Listing Rule 10.15 (being the information required to be disclosed for the purposes of ASX Listing Rule 10.14):

- (a) the related parties are Messers Kennedy, Gilchrist, Thamm and Wetherall (and/or their respective nominees) and they are related parties by virtue of being Directors;
- (b) the maximum number of Incentive Options and Performance Rights (being the nature of the financial benefit being provided) to be issued to Messers Kennedy, Gilchrist, Thamm and Wetherall are:

Director	Incentive Options	Performance Rights
Miles Kennedy	500,000	500,000
Gordon Gilchrist	250,000	250,000
Albert Thamm	250,000	250,000
Stephen Wetherall	500,000	1,000,000
Total	1,500,000	2,000,000

- (c) the Incentive Options and Performance Rights will be issued to Messers Kennedy, Gilchrist, Thamm and Wetherall (and/or their respective nominees) for nil cash consideration. Accordingly, no loans will be made in relation to the issue of the Incentive Options and Performance Rights;

- (d) the issue of Incentive Options and Performance Rights pursuant to the Plan has not previously been approved. Accordingly, no Incentive Options or Performance Rights have previously been issued under the Plan to a Director, an associate of the Director, or a person whose relationship with the Company, Director or associate of the Director is, in ASX's opinion, such that approval should be obtained;
- (e) as at the date of this Notice, the Directors are the only people covered by ASX Listing Rule 10.14 that the Board has declared to be eligible to be issued Incentive Options and Performance Rights under the Plan (i.e. a Director, an associate of the Director, or a person whose relationship with the Company, Director or associate of the Director is, in ASX's opinion, such that approval should be obtained);
- (f) the Incentive Options and Performance Rights will be issued to Messers Kennedy, Gilchrist, Thamm and Wetherall no later than 12 months after the Meeting if approved by Shareholders; and
- (g) the Incentive Options will be issued on the terms and conditions of the Plan and the following additional key terms:
- (i) Exercise Price: an exercise price equal to 150% of the VWAP of the Shares trading on ASX for the period of 15 trading days ending immediately prior to the date of grant;
 - (ii) Expiry Date: an expiry date of three (3) years from the date of grant; and
 - (iii) Vesting Conditions: subject to the holder of the Incentive Option being an Eligible Participant under the Plan at the time of vesting, the Incentive Options vest and become exercisable at the following times:
 - (A) **(Tranche 1)**: vest immediately on the date of grant;
 - (B) **(Tranche 2)**: vest one (1) year from the date of grant;
 - (C) **(Tranche 3)**: vest two (2) years from the date of grant;
 - (iv) The Incentive Options are to be allocated to each Director in the following proportions:

Director	Tranche 1	Tranche 2	Tranche 3	Total
Miles Kennedy	166,667	166,667	166,666	500,000
Gordon Gilchrist	83,334	83,333	83,333	250,000
Albert Thamm	83,334	83,333	83,333	250,000
Stephen Wetherall	166,667	166,667	166,666	500,000
Total	500,002	500,000	499,998	1,500,000

- (h) the Performance Rights will be issued on the terms and conditions of the Plan and the following additional key terms:
- (i) Expiry Date: an expiry date of three (3) years from the date of grant; and

(ii) Vesting Conditions: subject to the holder of the Performance Right being an Eligible Participant under the Plan at the time of vesting, the Performance Right vest and become exercisable at the following times:

- (A) **(Tranche 1):** Vest immediately after the incorporation of the Alluvial Mining Company;
- (B) **(Tranche 2):** Vest upon the Kimberlite Exploration Licence being renewed;
- (C) **(Tranche 3):** Vest upon the Company's Shares trading on the ASX at a VWAP of at least \$0.50 for a 10 day period; and
- (D) **(Tranche 4):** Vest one year from the date of grant.

(i) The Performance Rights are to be allocated to each Director in the following proportions:

Director	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Total
Miles Kennedy	125,000	125,000	125,000	125,000	500,000
Gordon Gilchrist	62,500	62,500	62,500	62,500	250,000
Albert Thamm	62,500	62,500	62,500	62,500	250,000
Stephen Wetherall	250,000	250,000	250,000	250,000	1,000,000
Total	500,000	500,000	500,000	500,000	2,000,000

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Incentive Options and Performance Rights to Messers Kennedy, Gilchrist, Thamm and Wetherall as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Incentive Options and Performance Rights will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian Dollars.

Alluvial Mining Company means the incorporation of the mining company in Angola (Sociedade Mineira Do Lulo, LDA), that will hold the mining title to mine the alluvial diamonds on the Lulo concession.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial period ended 31 December 2015.

ASX means ASX Limited (ACN 108 019 263) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report in the Financial Report.

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

Board means the board of Directors.

Business Day means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

Chair means the person appointed to chair the Meeting convened by this Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Lucapa Diamond Company Limited (ACN 111 501 663).

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement attached to the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company.

Incentive Option means an Option on the terms and conditions set out in section 6.4.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Kimberlite Exploration Licence means the formal right in respect of the Lulo concession to explore or prospect for deposits made up of kimberlites and other geological formations, genetically linked to diamond-bearing rock, which have not suffered any post depositional transportation and are considered the primary sources of diamonds.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to the Notice.

Performance Right means a right to purchase a Share on the terms and conditions in section 6.4.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weight average price.

WST means Western Standard Time, being the time in WA.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 28 MAY 2015

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)¹	Form of consideration
28 May 2015	3,250,000	Unlisted Options ³	Directors, as approved at the 2015 Annual General Meeting	Nil	Amount raised = Nil Current Value ⁶ = \$589,629
6 August 2015	22,485,278	Shares ²	Professional & Sophisticated Investors pursuant to the placement announced on 27 July 2015	\$0.18 per Share (premium of 5.9%)	Amount raised = \$4,047,350 Amount spent = \$4,047,350 Use of funds = To fund modifications to the Company's processing plant, additional equipment and working capital. Amount remaining = \$Nil Proposed use of remaining funds = N/A
6 August 2015	22,485,278	Unlisted Options ⁴	Professional & Sophisticated Investors pursuant to the placement announced on 27 July 2015	Nil cash consideration (free attaching to Shares on a 1:1 basis)	Amount raised = Nil Current Value ⁶ = \$5,205,516
28 August 2015	80,785	Shares ²	Exercise of options expiring 29 August 2015. (LOMO)	\$0.30 (premium of 43%)	Amount raised = \$24,235 Amount spent = \$24,235 Use of funds = To meet corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds = N/A
Various dates in October	10,170,115 (comprising the following issues: 1,782,778 3,856,711 1,261,112 1,346,002 1,233,000 665,512 25,000)	Shares ²	Exercise of options expiring 30 September 2017.	\$0.20 per Share (discount of 66.1% based on highest adjusted close price for October 2015)	Amount raised = \$2,034,023 Amount spent = \$2,034,023 Use of funds = To double mining and processing rates to 20,000 bcm/month following the delivery of additional earth moving equipment. Amount remaining = \$Nil Proposed use of remaining funds = \$Nil
9 October 2015	8,000,000	Unlisted Options ⁴	Far East Capital Limited or its nominees pursuant to the placement announced on 27 July 2015	Nil	Consideration = \$Nil Current value ⁶ = \$1,852,062

14 October 2015	19,444,444	Shares ²	Professional & Sophisticated Investors pursuant to the placement announced on 14 September 2015	\$0.18 (discount of 55%)	Amount raised = \$3,500,000 Amount spent = \$3,500,000 Use of funds = Additional equipment and working capital Amount remaining = \$Nil Proposed use of remaining funds = N/A
22 October 2015	16,344,098	Unlisted Options ⁴	Professional & Sophisticated Investors pursuant to the placement announced on 14 September 2015	Nil	Consideration = \$Nil Current value ⁶ = \$3,783,385
4 November 2015	1,000	Shares ²	Professional & Sophisticated Investors pursuant to the prospectus dated 26 October 2015	\$0.18 (discount of 47.05%)	Amount raised = \$180 Amount spent = \$180 Use of funds = To meet corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds = N/A
4 November 2015	1,000	Listed Options ⁵	Professional & Sophisticated Investors pursuant to the prospectus dated 26 October 2015	Nil	Consideration = \$Nil Current value ⁶ = \$232
20 November 2015	58,837,346	Listed Options ⁵	Issued to LOMO holders pursuant to the prospectus dated 26 October 2015	\$0.001	Amount raised = \$58,837 Amount spent = \$58,837 Use of funds = To meet corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds = N/A
14 January 2016	489,167	Listed Options ⁵	Directors and professional & sophisticated Investors pursuant to the prospectus dated 26 October 2015	\$0.001	Amount raised = \$489 Amount spent = \$489 Use of funds = To meet corporate administrative costs. Amount remaining = \$Nil N/A
14 January 2016	10,100,346	Unlisted Options ⁴	Professional & Sophisticated Investors pursuant to the placement announced on 14 September 2015	Nil	Consideration = \$Nil Current value ⁶ = \$2,338,308
16 February 2016	8,245,440	Listed Options ⁵	Issued to LOMO holders pursuant to the prospectus dated 26 October 2015	\$0.001	Amount raised = \$8,245 Amount spent = \$8,245 Use of funds = To meet corporate administrative costs. Amount remaining = \$Nil Proposed use of remaining funds = N/A
From 4 December 2015 To 18 April 2016	8,937,890 (comprising the following issues: 26,156 2,554,5,589, 8,361,634 33,480,68,641	Shares ²	Exercise of options expiring 29 April 2016 (LOMOB)	\$0.30 per Share (discount of 40% based on highest adjusted close price from December 4 2015 to 15 March 2016)	Amount raised = \$2,681,367 Amount spent = \$Nil Amount remaining = \$2,681,367 Proposed use of remaining funds = To fund the purchase of drilling equipment and other mining and plant optimisations

	200,035				
	239,801				
	3,882,224				
	2,569,426				
	525,484				
	2,417,720				
	3,020,188				
	729,932)				

Information required under Listing Rule 7.3A.6 (a)

The table below shows the total number of Equity Securities issued in the 12 month period preceding the date of the Meeting and the percentages those issues represent of the total number of Equity Securities on issue at the commencement of that 12 month period.

Equity Securities issued in the 12 month period preceding the date of the Meeting	61,119,512 Shares; and 128,166,842 Options
Diluted number of Equity Securities on issue in the Company on 26 May 2015	345,682,127
Percentage previous issues represent of total number of Equity Securities on issue at commencement of that 12 month period	50.68%

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded Option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: LOM. Terms of the Shares are set out in the Constitution.
3. Unlisted Options exercisable at \$0.30 each, on or before 28 May 2017. Terms and conditions are contained at Annexure 1 to the notice of annual general meeting announced 28 April 2015.
4. Unlisted Options, exercisable at \$0.20 each, on or before 30 September 2017. Terms and conditions are contained at Schedule 1 of the notice of extraordinary general meeting announced 28 August 2015.
5. Quoted Options (LOMOB), exercisable at \$0.30 on or before 29 April 2016. Terms and conditions are contained at Schedule 2 of the notice of extraordinary general meeting announced 28 August 2015.
6. In respect of quoted Equity Securities the value of Options is based on the closing price of the Shares (\$0.35) as the context requires on the ASX on 18 April 2016. In respect of unquoted Equity Securities the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).
7. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

SCHEDULE 2 – SUMMARY OF THE INCENTIVE AND RETENTION PLAN

A summary of the terms of the Plan is set out below. The full terms may be inspected at the registered office of the Company during normal business hours until the date of the Meeting.

- (a) **Eligible Participants:** All Directors, full time, part time and casual employees and certain contractors of the Company or any Associated Body Corporate, are eligible to participate in the Plan.
- (b) **Offers:** The Board may, from time to time, at its absolute discretion, make an offer to grant Options or Performance Rights to an Eligible Participant (as defined above) under the Plan and on such additional terms and conditions as the Board determines.
- (c) **Performance Rights:** Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one Share.
- (d) **Options:** Each Option, once vested, entitles the holder to purchase one Share for the exercise price specified in the offer made to the holder.
- (e) **Not transferrable:** Options and Performance Rights are only transferrable with the prior written consent of the Board of the Company in Special Circumstances or a change in control, or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (f) **Vesting Conditions:** The Board will determine the vesting conditions (if any) that must be satisfied before an Option or a Performance Right vests and can be exercised, and the date by which a vesting condition must be satisfied (**Vesting Condition**).
- (g) **Vesting:** An Option or a Performance Right will vest where Vesting Conditions are satisfied or where, despite Vesting Conditions not being satisfied, the Board (in its absolute discretion) resolves that unvested Options or Performance Rights have vested as a result of:
 - (i) the participant ceasing to be an Eligible Participant due to Special Circumstances (eg due to death, total and permanent disability, retirement or redundancy) as set out in the Plan; or
 - (ii) the Company undergoing a change in control or winding up.
- (h) **Exercise of vested Option or Performance Right:** Unless the Board decides otherwise, any vested Option or Performance Right may be exercised at any time after the Board notifies the holder that the Option or Performance Right has vested and before it lapses, following which the Company will issue the participant with the applicable number of Shares.
- (i) **Shares:** Shares resulting from the vesting of the Options or Performance Rights shall, from the date of issue, rank on equal terms with all other Shares on issue.
- (j) **Share Sale Restrictions:** The Board may, in its absolute discretion, direct that any Share issued to a participant on the exercise of an Option or a Performance Right under the Plan, must not be disposed of or otherwise dealt with for a period of time up to five (5) years from issue (**Restriction Period**).
- (k) **Quotation of Shares:** If Shares of the same class as those allotted under the Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.

- (l) **Lapse of an Option or Performance Right:** An Option or Performance Right will lapse upon the earlier to occur of:
- (i) an unauthorised dealing in, or hedging of, the Option or Performance Right;
 - (ii) a Vesting Condition in relation to the Option or Performance Right is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to vest the Option or Performance Right due to special circumstances (eg due to death, total and permanent disability, retirement or redundancy), a change in control or winding up;
 - (iii) in respect of unvested Options or Performance Rights only, a Relevant Person ceases to be an Eligible Participant, unless the Board:
 - (A) exercises its discretion to vest the Option or Performance Right due to special circumstances (eg due to death, total and permanent disability, retirement or redundancy), a change in control or winding up; or
 - (B) in its absolute discretion, resolves to allow the unvested Option or Performance Right to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iv) in respect of vested Options or Performance Rights only, a holder ceases to be an Eligible Participant and the Option or Performance Right granted in respect of that holder is not exercised within one (1) month (or such later date as the Board determines) of the date the holder ceases to be an Eligible Participant;
 - (v) the Board deems that an Option or Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
 - (vi) the Company undergoes a change in control or winding up, and the Option or Performance Right does not vest in accordance with the Plan; or
 - (vii) an Option or Performance Right is not exercised prior to its expiry date.
- (m) **No Participation Rights:** There are no participating rights or entitlements inherent in the Options or Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options or Performance Rights.
- (n) **No Change:** An Option or Performance Right does not confer the right to a change in the number of underlying Shares over which the Option or Performance Right can be exercised.
- (o) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of an Option or Performance Right are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

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«EFT_REFERENCE_NUMBER»

LUCAPA DIAMOND COMPANY LIMITED

ACN: 111 501 663

REGISTERED OFFICE:

34 BAGOT ROAD
SUBIACO WA 6008

+

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
AUSTRALIA
770 Canning Highway, APPLECROSS WA 6153
AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

«Company_code» «Sequence_number»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

Code:

LOM

Holder Number:

«HOLDER_NUM

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 11:00am WST on Thursday 26 May 2016 at The Celtic Club, 48 Ord Street, West Perth, WA, 6005 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Authority for Chair to vote undirected proxies on remuneration related resolutions

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 4, 5, 6, 7 and 8 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4, 5, 6, 7 and 8 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

RESOLUTION

1. ADOPTION OF REMUNERATION REPORT

For Against Abstain*

2. RE-ELECTION OF DIRECTOR MR GORDON GILCHRIST

3. THE ISSUE OF 10% PLACEMENT CAPACITY UNDER LISTING RULE 7.1A

4. ADOPTION OF INCENTIVE AND RETENTION PLAN

5. ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY - MR MILES KENNEDY

6. ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY - MR GORDON GILCHRIST

7. ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY - MR ALBERT THAMM

8. ISSUE OF INCENTIVE OPTIONS AND PERFORMANCE RIGHTS UNDER THE INCENTIVE AND RETENTION PLAN TO A RELATED PARTY - MR STEPHEN WETHERALL

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 11:00am WST on Tuesday 24 May 2016.

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My/Our contact details in case of enquiries are:

Name:

Number:

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1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Registrars Pty Ltd

Online	www.securitytransfer.com.au
Postal Address	PO BOX 535 Applecross WA 6953 AUSTRALIA
Street Address	Alexandrea House Suite 1, 770 Canning Highway Applecross WA 6153 AUSTRALIA
Telephone	+61 8 9315 2333
Facsimile	+61 8 9315 2233
Email	registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

