



LUCAPA
DIAMOND COMPANY

29 November 2012

Ms Shannon Nicholson
Adviser Listings, Perth
Level 8
2 The Esplanade
PERTH WA 6000

Dear Ms Nicholson,

We refer to your letter of 26 November 2012 in relation to the Lucapa Diamond Company Limited (the Company) announcements entitled "Lucapa to Raise \$5M to Expand Lulo Kimberlite Program" (Capital Raising Announcement) and "Letter to Option holders" (Option Holder Notice), released to the market on Monday, 29 October 2012 in relation to the pro-rata non-renounceable entitlement issue (Entitlement Issue).

We respond as follows:

1. *Does the Company consider the non-renounceable pro rata issue the subject of the Capital Raising Announcement to be material to the Company pursuant to listing rule 3.1?*

Yes.

2. *When was the Option Holder Notice despatched to the Company's option holders? Please include details of the time and circumstances of despatch.*

The Company sought to advise option holders on the day the Entitlements Issue was to be announced that they could not participate in the in that issue without first exercising their options. The printing and document management company (**the DMC**) engaged to print and dispatch the Option Holder Notice was specifically instructed by email at 5:59pm (Perth time) on 25 October 2012 that those notices were to be dispatched to Option Holders on Monday, 29 October 2012. Contrary to the Company's instructions and the Company's arrangements with them, the DMC dispatched the Option Holder Notice on the evening, Perth time, of Friday, 26 October 2012 instead of on Monday, 29 October 2012.

3. *Is the Company aware of any of its option holders receiving the Option Holder Notice prior to the release of the Capital Raising Announcement? Please include details of the relevant time and circumstances of the Company becoming aware that any of its option holders received the Option Holder Notice prior to the release of the Capital Raising Announcement.*

Yes. The Company first became aware when it received a phone call from an option holder at about 12:15pm (Perth time) on Monday, 29 October 2012 advising that he had received the Option Holder Notice via mail.

4. *If the answer to questions 1 and 3 is "yes", please advise the following:*

4.1 Please advise why the Company did not make an announcement at an earlier time or request a trading halt at an earlier time?

The Company had not intended that the Option Holder Notice would be dispatched on 26 October 2012, as is evidenced by the Company's specific instructions to the DMC and the fact that

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the notice is dated 29 October 2012. In addition, the Company had not intended the Option Holder Notice to be received before the Capital Raising Announcement was made, as is evidenced by the fact that the second paragraph of the Option Holder Notice states, as you have noted in your letter under reply, that "The Company has announced to ASX Limited.... the details of a pro rata non-renounceable entitlements issue...."

The Company made the Capital Raising Announcement as soon as practicable after it became aware that the Option Holder Notice had been received prematurely by some option holders as a result of the notice having been dispatched to option holders on the evening of Friday, 26 October 2012 instead of on Monday, 29 October 2012 as instructed.

At all times, the Company has been mindful of its continuous disclosure obligations and its requirement to advise option holders of the Entitlements Issue in accordance with the requirements of Appendix 7A.3.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market in accordance with the continuous disclosure obligations under the ASX Listing Rules. The Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Board continues to review these procedures to ensure adequate controls are in place mitigate the risk of external administrative errors as best as possible.

4.2 Why was the Capital Raising Announcement not released to the market at that earlier time? Please comment specifically on the application of listing rule 3.1.

The Company refers to its answer to question 4.1 above.

5. *If the answer to any part of question 1 is "no", please advise the basis on which the Company does not consider the Capital Raising Announcement to be material.*

Not applicable.

6. *Please confirm that the Company is in compliance with listing rule 3.1.*

The Company can confirm that it is in compliance with the listing rules and in particular, listing rule 3.1.

For further information, please contact;

MARK CLEMENTS
COMPANY SECRETARY
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26 November 2012

Mr Mark Clements
Company Secretary
Lucapa Diamond Company Limited

By Email: mclements@lucapa.com.au

Dear Mark

Lucapa Diamond Company Limited (the "Company")

We refer to:

- the Company's announcement released to ASX on 29 October 2012 at 3:44 am (EST) titled "Lucapa to Raise \$5M to Expand Lulo Kimberlite Program" ("Capital Raising Announcement"); and
- the Company's announcement released to ASX on 29 October 2012 at 3:44 (EST) titled "Letter to Optionholders" ("Option Holder Notice").

The Option Holder Notice states, amongst other things, that:

- *The Company has announced to ASX Limited the details of a pro rata non-renounceable entitlement issue on the basis of one (1) new fully paid share (Share) for every four (4) shares held by shareholders of the Company as at 5.00pm WST on Friday 9 November 2012 (Record Date) at an issue price of \$0.009 per Share, to raise approximately \$5.73 million (Rights Issue).*
- *Option holders are unable to participate in the Rights Issue without first exercising their options.*

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity"

Further, we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

- 3.1A.1 *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 *One or more of the following applies.*
- *It would be a breach of a law to disclose the information.*
 - *The information concerns an incomplete proposal or negotiation.*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - *The information is generated for the internal management purposes of the entity.*
 - *The information is a trade secret."*

Finally, we would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret'.

Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts' reports".

Having regard to the Capital Raising Announcement and the Option Holder Notice ("Announcements"), the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A:

1. Does the Company consider the non-renounceable pro rata issue the subject of the Capital Raising Announcement to be material to the Company pursuant to listing rule 3.1?
2. When was the Option Holder Notice despatched to the Company's option holders? Please include details of the time and circumstances of despatch.
3. Is the Company aware of any of its option holders receiving the Option Holder Notice prior to the release of the Capital Raising Announcement? Please include details of the relevant time and

circumstances of the Company becoming aware that any of its option holders received the Option Holder Notice prior to the release of the Capital Raising Announcement.

4. If the answer to questions 1 and 3 is "yes", please advise the following:
 - 4.1. Please advise why the Company did not make an announcement at an earlier time or request a trading halt at an earlier time?
 - 4.2. Why was the Capital Raising Announcement not released to the market at that earlier time? Please comment specifically on the application of listing rule 3.1.
5. If the answer to any part of question 1 is "no", please advise the basis on which the Company does not consider the Capital Raising Announcement to be material.
6. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **9.00am (WST) Thursday, 28 November 2012**.

Your response should be sent to ASX by facsimile on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on +61 8 9224 0025.

Yours sincerely,

[sent electronically without signature]

Shannon Nicholson
Adviser, Listings (Perth)