

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LUCAPA DIAMOND COMPANY LIMITED

ABN

44 111 501 663

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 mths) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(839)	(1,415)
(b) development ¹		(6,631)
(c) production		
(d) staff costs	(572)	(2,638)
(e) administration and corporate costs	(325)	(1,736)
1.3 Dividends received		5,907
1.4 Interest received	6	50
1.5 Interest and other costs of finance paid	(14)	(44)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	US\$(1,744)	US\$(6,507)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(23)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 mths) US\$'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received		
2.5	Other (provide details if material) ²	(523)	(3,005)
2.6	Net cash from / (used in) investing activities	US\$(544)	US\$(3,028)
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	152	14,540
3.4	Transaction costs related to issues of shares, convertible notes or options		(275)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings ³	(399)	(986)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	US\$(247)	US\$13,279
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	7,030	622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,744)	(6,507)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(544)	(3,028)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(247)	13,279
4.5	Effect of movement in exchange rates on cash held	(146)	(17)
4.6	Cash and cash equivalents at end of period ⁴ (US\$'000)	US\$4,349	US\$4,349

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Note:

¹Relates to capital payments in previous quarters in respect of alluvial mining development activities up until the incorporation of the Lulo alluvial mining company ("SML") in May 2016.

²Following the incorporation of SML and in terms of the Mining Investment Contract and agreements with the Company's JV partners, alluvial exploration and capital expenditure incurred by the Company is to be repaid from alluvial mining operations. As such, alluvial exploration and capital expenditure are now recognised under investing activities. Current and prior quarters include capital payments for earthmoving fleet, XRT recovery unit, diamond boiling facility, wet front-end and other plant and equipment.

³Relates to capital payments in respect of earthmoving fleet. Refer section 8.

⁴As the investment in SML is recognised on an equity-accounted basis, the closing cash balance at 4.6 does not include the SML bank account balances of US\$14.1 million held as at 31 December 2016.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	4,349	7,030
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	US\$4,349	US\$7,030

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2 ⁵
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
147

⁵The amount reflected under 6.1 includes payments for directors' fees (including superannuation) and payments in respect of office rent to entities associated with non-executive director Miles Kennedy.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Finance lease facility ⁶	412	412
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

⁶The amount reflected under 8.3 is the liability in respect of the Caterpillar earthmoving equipment acquired in the previous quarter. It is payable over a term of two months to 25 February 2017 and bears interest at an annual rate of 9%.

9. Estimated cash outflows for next quarter	US\$'000
9.1 Exploration and evaluation	795
9.2 Development ⁷	612
9.3 Production	
9.4 Staff costs	692
9.5 Administration and corporate costs	450
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows ⁸	US\$2,549

Note:

⁷Relates to capital expenditure in respect of alluvial mining development activities of SML. This is now reflected under cash flows from investing activities. Refer section 2.

⁸ It is anticipated that this amount will be funded from the proceeds of a proposed SML distribution.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	E04/1936 Brooking WA	Direct interest	0	80%
	E04/2317 Brooking WA	Direct interest	0	80%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Mark Clements
Company Secretary
23 January 2017

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.