

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 March 2018

| Consolidated statement of cash flows | Current quarter US\$'000 | Year to date (3 mths) US\$'000 |
|---|-------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (62) | (62) |
| (b) development | | |
| (c) production | | |
| (d) staff costs | (418) | (418) |
| (e) administration and corporate costs | (537) | (537) |
| 1.3 Dividends received | | |
| 1.4 Interest received | 13 | 13 |
| 1.5 Interest and other costs of finance paid | (1) | (1) |
| 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\$(1,005) | US\$(1,005) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment ¹ | (5,890) | (5,890) |
| (b) tenements | | |
| (c) investments | | |
| (d) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter US\$'000 | Year to date (3 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) | (75) | (75) |
| 2.6 | Net cash from / (used in) investing activities | US\$(5,965) | US\$(5,965) |

| | | | |
|-------------|---|------------------|------------------|
| 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 | | |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (3) | (3) |
| 3.5 | Proceeds from borrowings | 5,000 | 5,000 |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | (251) | (251) |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | US\$4,746 | US\$4,746 |

| | | | |
|------------|--|------------------|------------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 8,297 | 8,297 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,005) | (1,005) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (5,965) | (5,965) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,746 | 4,746 |
| 4.5 | Effect of movement in exchange rates on cash held | (25) | (25) |
| 4.6 | Cash and cash equivalents at end of period ² (US\$'000) | US\$6,048 | US\$6,048 |

Note:

¹ Relates to mine development expenditures at the Mothae project, Lesotho.

² The investment in the alluvial mining company, SML, is recognised on an equity-accounted basis in terms of the Company's accounting policy and Australian International Financial Reporting Standards. As such, the closing cash balance at 4.6 above does not include the US\$13.1 million cash balance held at the end of the reporting quarter by SML in Angola. As stated in the Company's Quarterly Activities report, in light of positive discussions taking place between Lucapa and the Angolan Government, the Lucapa board believes it is prudent to defer consideration of the next dividend and loan repayment from SML until those discussions have been concluded.

| 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 | 6,048 | 8,297 |
| 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\$6,048 | US\$8,297 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2 ³
- 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 |
|---|
| 271 |
| |

³ The amount reflected under 6.1 includes payments for directors' fees (including superannuation), payments in respect of office rent to entities associated with non-executive director Miles Kennedy and payments for Competent Person services to non-executive director Albert Thamm.

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 ⁴
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter US\$'000 |
|---|
| - |
| (6,502) |

⁴ Relates to intergroup funding payment to subsidiaries, primarily Mothae Diamonds (Pty) Ltd. As the cash flow statement is required to be prepared on a consolidated basis these loans to subsidiaries are eliminated on consolidation and therefore reflected as zero at item 2.3.

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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 ⁵ | 15,000 | 15,000 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Finance lease facility | - | - |
| 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. | | |

⁵ The loan facility consists of a three-year secured financing facility entered into with a private Singaporean entity, Equigold Pte Ltd (see ASX announcement 9 October 2017). The loan is repayable in eight quarterly payments commencing December 2018. The facility includes a provision for Equigold, at their election, to convert the last two scheduled quarterly payments (totalling US\$3.75 million) into ordinary shares in Lucapa at the lowest one-day VWAP in the 15 days preceding the conversion request. Interest is payable at 13% of the loan and other fees payable are customary to a facility of this nature.

| 9. Estimated cash outflows for next quarter | US\$'000 |
|--|------------------|
| 9.1 Exploration and evaluation ⁶ | 550 |
| 9.2 Development ⁷ | 6,525 |
| 9.3 Production | - |
| 9.4 Staff costs | 418 |
| 9.5 Administration and corporate costs | 607 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows⁷ | US\$8,100 |

⁶ This does not include the estimated kimberlite exploration expenditure to be spent at Lulo, as it is not anticipated to be funded from Lucapa. The Lulo kimberlite exploration expenditure for the next quarter is to be funded from the cash held by Lulo on behalf of Lucapa in Angola, being the remainder of the Company's share of the gross distribution declared by Lulo during the first quarter of 2017.

⁷ The Company expects to meet its expenditure obligations for the next quarter, as and when they fall due, from current cash at the bank and from the US\$12.7 million (A\$16.5 million) share placement as per the ASX announcement of 9 April 2018.

As stated in the Company's Quarterly Activities report, in light of positive discussions taking place with the Angolan Government, the Lucapa board believes it is prudent to defer consideration of the next dividend and loan repayment from SML until such those discussions have been concluded.

| 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 | | | | |

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

16 April 2018

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.