LUCAPA
DIAMOND COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2023

OUR FUTURE IS *clear*

2023 at a *glance*

	100% Project	Attributable
Rough Diamond Revenue	US$102.2m	US$48.4m
Polished Diamond Revenue	US$2.8m	US$1.6m
EBITDA	US$23.4m	US$8.3m

	100% Project
Carats Recovered	63,469
Price per Carat	US$2,458
Tonnes Processed	2.5m

	Attributable
Loss after tax	US$9.1m

Our People

Lulo employees by gender

95% Male

5% Female

Mothae employees (incl contractors) by gender

78% Male

22% Female

Largest Recoveries

Lulo Diamond Project

235ct

November 2023

Mothae Kimberlite Mine

86ct

February 2023

Contents

Company Overview

Lucapa Diamond Company Limited is listed under the ticker LOM on the Australian Securities Exchange (ASX). The company is a diamond miner and explorer with assets across Africa and Australia. It has interests in two producing diamond mines in Angola (Lulo – 40%) and Lesotho (Mothae – 70%). The large, high-value diamonds produced from these two niche mines attract some of the highest prices per carat for rough diamonds globally.

The Lulo mine has been in commercial production since 2015, while the Mothae mine commenced commercial production in 2019.

Lucapa acquired 100% of the Merlin Diamond Project in the Northern Territory of Australia in 2021. The Merlin mineral lease and exploration licence contain 13 previously discovered kimberlite pipes containing a 4.4 million carat JORC 2012 compliant resource. There are also numerous unresolved geophysical anomalies on the leases. The Merlin mineral licence expires in 2047.

Lucapa and its project partners are also exploring for potential primary source kimberlites or lamproites at the prolific Lulo concession in Angola, the Brooking project in Australia and the Orapa Area F project in Botswana.

Lucapa has a cutting and polishing partnership with Safdico International, a subsidiary of leading international high-end jeweller Graff. Under the agreement, Safdico, can purchase up to 60 percent of Lulo's alluvial rough production as a preferred buyer and has an agreement to buy 100 percent of Mothae's rough production, both at full market value. The mines then share in a significant portion of the additional margins derived by the partnership from beyond the mine gate.

Lucapa has its corporate offices in Perth, Western Australia. The Board, management team and key stakeholders in Lucapa have deep global diamond industry experience and networks through the value chain from exploration to retail.

Our Values

Safety
We conduct operations in a safe, responsible and environmentally conscious manner.

Integrity
We interact with all stakeholders with integrity, honesty, transparency and fairness.

Teamwork
We attract and employ the best skillsets, encourage teamwork, diversity, and reward performance.

Partnership
We partner with the local communities and governments in the countries where we operate, for mutual benefit.

Our Purpose

Lucapa produces natural diamonds sustainably and cares for its people, communities, and the countries in which we operate.

Our Vision

Lucapa's vision is to become a pre-eminent mid-tier diamond company with multiple assets, vertically integrating through the supply chain, to bring greater value to all stakeholders.

Chairman's Letter

Our determination to find the primary kimberlite source means we have one of the most active kimberlite bulk sampling programs underway, globally, amongst our peers large and small.

Dear Shareholders,

We have been operating in Angola for around 15 years and in that time we have experienced firsthand the long road towards the government's efforts to make the country a stable and attractive environment for foreign investment.

We entered the country shortly after the end of the civil war when others were not so brave. So for a decade and a half we have, with our partners, built an enviable alluvial production. Lulo's diamonds attract the highest prices for alluvial diamonds globally. Over the period, we have sold almost half a billion US dollars' worth of Lulo diamonds.

Now, with the latest JORC resource update, we have potentially another eight or so years of alluvial production at the Lulo Mine. That, and the ongoing exploration for the source of the high-value large diamonds we keep recovering at Lulo, means Lucapa is in Angola to stay.

As the fourth largest diamond producer in the world, Angola has the potential to become a world diamond powerhouse.

This is confirmed by the recent rush back into the country by some of the world's largest diamond producers, Rio Tinto and Anglo American, owner of De Beers. It has seen heightened activity in greenfield diamond exploration in Angola, at a time when global diamond exploration investment is estimated to be at multi-decade lows.

While our peers in the Angolan diamond exploration space are beginning their journey in country, Lucapa and our Angolan partners, Endiama and Rosas & Petalas are further down the road.

Our determination to find the primary kimberlite source means we have one of the most active kimberlite bulk sampling programs underway, globally, amongst our peers large and small.

We have been methodically testing and sampling dozens of kimberlite targets as we move across the 3000 square kilometre concession, an area twice the size of Greater London.

We don't have the financial resources that our larger peers have, however, we have some of the brightest and most experienced diamond exploration teams in the world who have had to battle against major floods this wet season to execute their strategy.

We know that when we find the holy grail it will be worth it.

What we know for sure is that the production of natural diamonds is declining and the exploration programs around the world are not enough to make up the expected shortfall. The diamond industry needs a Lulo Kimberlite Mine in the future to fill the supply gap which is coming.

Some of today's legacy mines, Canada's Ekati, Diavik, Zimbabwe's Murowa and Russia's Zarnitsa are expected to reach depletion or finish conventional m ining before the end of this decade.

While the other famous mines such as Botswana's Orapa and Jwaneng and South Africa's Venetia have still got multi-decade lives remaining, production is going to decline rapidly in the absence of large, new diamond mines coming online.

In fact, the only large scale diamond mine which is expected to commence commercial production in this decade is the Luele Mine in Angola. Phase 1 of that mine is forecast to produce as much as 4-5 million carats.

All of this means that natural diamond supply is forecast to drop to 115 million carats by 2030, which will no doubt drive up prices of natural diamonds. We firmly believe that Angola, one of the world's most prolific and underexplored diamond destinations in the world will move up the world rankings very quickly for diamond production.

Finally, as this is my final Chairmans' letter to shareholders, I would like to take this opportunity to thank our valued shareholders as well as our teams and partners in Angola, Lesotho, Botswana and Australia.

With best wishes,

Miles Kennedy
Outgoing Chairman

2023 GROUP *highlights*

Full year revenues of	Full year attributable revenues of	100% EBITDA	Attributable EBITDA	Settled debt of	Repatriated
US$102.2m	**US$49.9m**	**US$23.4m**	**US$8.3m**	**US$5.5m**	**US$7.9m**
at US$2,458/carat (100% basis).				Now debt free.	in capital loan repayments and SML dividends.

Lulo Alluvial Mine, Angola

625,548m³
Gravel processed

30,585
Carats recovered

322
Special sized diamonds (+10.8 carats) recovered

0.19
LTIFR per 200,000 hours worked

Mothae Kimberlite Mine, Lesotho

1,468,909
Tonnes of ore processed

32,884
Carats recovered

219
Special sized diamonds (+10.8 carats) recovered

0.00
LTIFR per 200,000 hours worked

Merlin scoping study pivoted
to low-cost, smaller development option.

17
Groundwater monitoring boreholes
installed at Merlin Diamond Project.

Mothae plant nameplate
exceeded by 30%, following modifications.

Debt free
expunged interest bearing debt.

48%
Upside
to Lulo Alluvial Resource carats.

26
Bulk samples processed
from Lulo Kimberlite exploration.

15th Diamondiferous Kimberlite
discovered at Lulo Kimberlite exploration.

639 metres drilled
at Brooking.

REVIEW OF *operations*

Lulo Mine, Angola

Lucapa is a diamond mining company listed on the ASX with activities spanning exploration, production, rough sales and the downstream value-adding activities of cutting & polishing.

The board and management team have deep experience across all facets of the diamond industry.

Lucapa has stakes in two operating diamond mines, one near-term development project and several exploration ventures.

Lucapa's flagship project is its 40% stake in the Lulo alluvial mine in Angola ("SML"). It also has a 70% stake in the Mothae kimberlite mine in the Kingdom of Lesotho ("Mothae"). In 2021, Lucapa completed the 100% acquisition of a third project, Merlin, a near-development project in the Northern Territory of Australia. Development options for Merlin are currently being considered.

The Lulo alluvial mine in the Lunde Norte region of Angola is globally renowned for recovering high-quality, large diamonds including regular recoveries of +100 carat diamonds. In 2023, it recovered five gem quality +100 carat diamonds, while in 2022 it recovered a total of ten. The production from SML fetches the highest average price per carat for any alluvial production globally. In 2023, SML produced 30,585 carats.

Mothae mine, in the Mokhotlong province in the Kingdom of Lesotho attracts the second highest average price per carat in the world for kimberlite production. In 2023, the mine produced a mix of quality Type IIa and Type I diamonds from the open-pit operation, totalling 32,884 carats.

In 2023, the Merlin Feasibility Study was pivoted from a large-scale development, to examine a smaller-scale, lower capital cost option, commencing with the high-grade Gawain pipe.

The main exploration project for Lucapa is the advanced Lulo Kimberlite Joint-venture exploration programme in Angola, tasked with locating the primary source of the large, high-value alluvial diamonds recovered by SML.

Lucapa also has early-stage exploration projects in Botswana (Orapa Area F) and Australia (Brooking and Merlin)

The key goals that Lucapa achieved, in line with its objectives in 2023 include:

- Exceeding Full Year Group production guidance;
- 9% higher processed volumes for the year at SML compared to the previous year, following the recent investment in the new processing plant and mining fleet;
- New annual records for tonnes mined (up 23% yoy), tonnes processed (up 22% yoy) and $/ct achieved (up 12% yoy) at Mothae, following on from the improvements made to Mothae's processing plant;
- 26 samples processed during the year, or one every fortnight, as part of the Lulo Kimberlite Bulk Sampling Program;
- 6 diamondiferous kimberlites identified during the year by the Lulo Kimberlite Bulk Sampling Program, taking the total to 15 for the project;
- Pivoting the Merlin Diamond Project Feasibility Study to focus on a lower-cost, smaller-scale pathway to development;
- Advancing the exploration projects in Angola, Australia and Botswana;
- Continuing to generate additional margins for both operations from the cutting and polishing partnership with Safdico; and
- Improving the safety performance at both operations.

REVIEW OF OPERATIONS

Lulo Alluvial Mine, Angola

Lulo Alluvial Mine ("Lulo") had a solid performance in 2023 with further gains made in production and operational efficiencies due to previous capital investment into plant and equipment upgrades combined with those made during the year.

SML, the operator of Lulo, set new annual records for volumes processed (625,548 cubic metres, a 9% increase on 2022) and mined approximately 8.3 million cubic metres. This was a 33% increase on 2022 for the year, as mining moved between the lower-grade terrace areas in the wet season at the start and the end of the year and higher-grade leziria (floodplain) areas predominantly during the dry season in the middle of year.

The investment in 2023, of a 95-tonne Cat 395 excavator and three additional ADT's resulted in noticeable gains in efficiencies of overburden stripping.

A 21 percent drop in grade to 4.9 cphm^3 from the 6.2 cphm^3 achieved in 2022, is linked to increased dilution as mining accessed deeper deposits. Even with the increased volume processed, 14 percent fewer carats were recovered during the year.

However, the 30,585 carats recovered, included three +100 carat diamonds, a 150 carat, a 180 carat and a 123 carat stone recovered in February, June and October respectively. Also, two +200 carat diamonds, a 208 carat and a 235 carat stone were recovered in October and November. This brought the total number of +100 carat diamonds recovered at Lulo since operations began to 40.

The large stone recoveries combined with several fancy pink and fancy yellow coloured diamonds meant that rough diamond revenue was still in line with the previous year at US$77.3 million (US$79.6m in 2022) at an increased average price per carat of US$2,700 compared with the US$2,449 achieved in 2022.

EBITDA on a 100% basis was US$23.6 million for 2023, compared to US$35.2 million in 2022. Operating costs rose due to inflation, increased fleet expenses and higher stripping ratios, but were kept within target for the year. Some added costs were also the result of boosted security deployed for equipment protection across the vast site's mining and exploration activities.

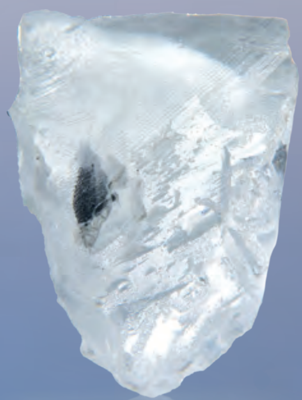
SML also gained an extra US$1.2 million in polished diamond revenue through the cutting and polishing partnership with Safdico.

An updated JORC classified mineral resource for Lulo was published by Lucapa in March 2024, estimating an inferred resource of 228,400 carats at a modelled value of US$1,897/carat as at 31 December 2023. This is a 48 percent increase in resource carats and a 5 percent drop in the price per carat as a reflection of the softening of diamond prices over 2023. The volume of gravel in the resource update has been increased by 90% to 5.02 million cubic metres, equivalent to 8 years production at planned mining and processing capacities. This is the 6th consecutive year the Lulo alluvial resource carats have increased.

Five +100 carat diamonds were recovered with the largest being 235 carats.

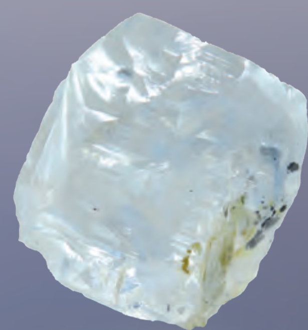
208ct | Oct 2023

235ct | Nov 2023



180ct | June 2023

150ct | Feb 2023



123ct | Oct 2023

REVIEW OF OPERATIONS

Mothae Kimberlite Mine, Lesotho

Lucapa
70%

Government of Lesotho **30%**

Conducted by Mothae Diamonds Pty Ltd

There were significant performance improvements at Mothae following the plant and operational changes made at the beginning of 2023. Modifications made to the plant flow sheet and upgrades to the XRT (X-Ray Transmission) sorter eliminated the previous processing limitations related to hard ore.

Following the modifications to Mothae's plant, capacity increased to exceed nameplate by 30 percent. A mobile crusher which reduced the need for oversize blasting and rockbreaking, was also deployed in Q3 and had a positive impact on the plant throughput as it reduced the amount of over-sized material delivered to the primary crusher.

Mothae set new annual records for tonnes mined and processed, carats recovered and average price per carat. More than 2.34 million tonnes of ore and waste was mined in 2023, up 23 percent from the previous year, while 1,468,909 tonnes of ore was processed through the plant, up 22 percent on 2022.

Mothae recovered 32,884 carats in 2023. This was an increase of 7 percent compared with 2022. Production included 219 Special sized diamonds of +10.8 carats, 11 percent higher than the previous year. The largest diamond recovered in 2023 weighed 86 carats and several fancy pinks and yellow coloured diamonds were recovered.

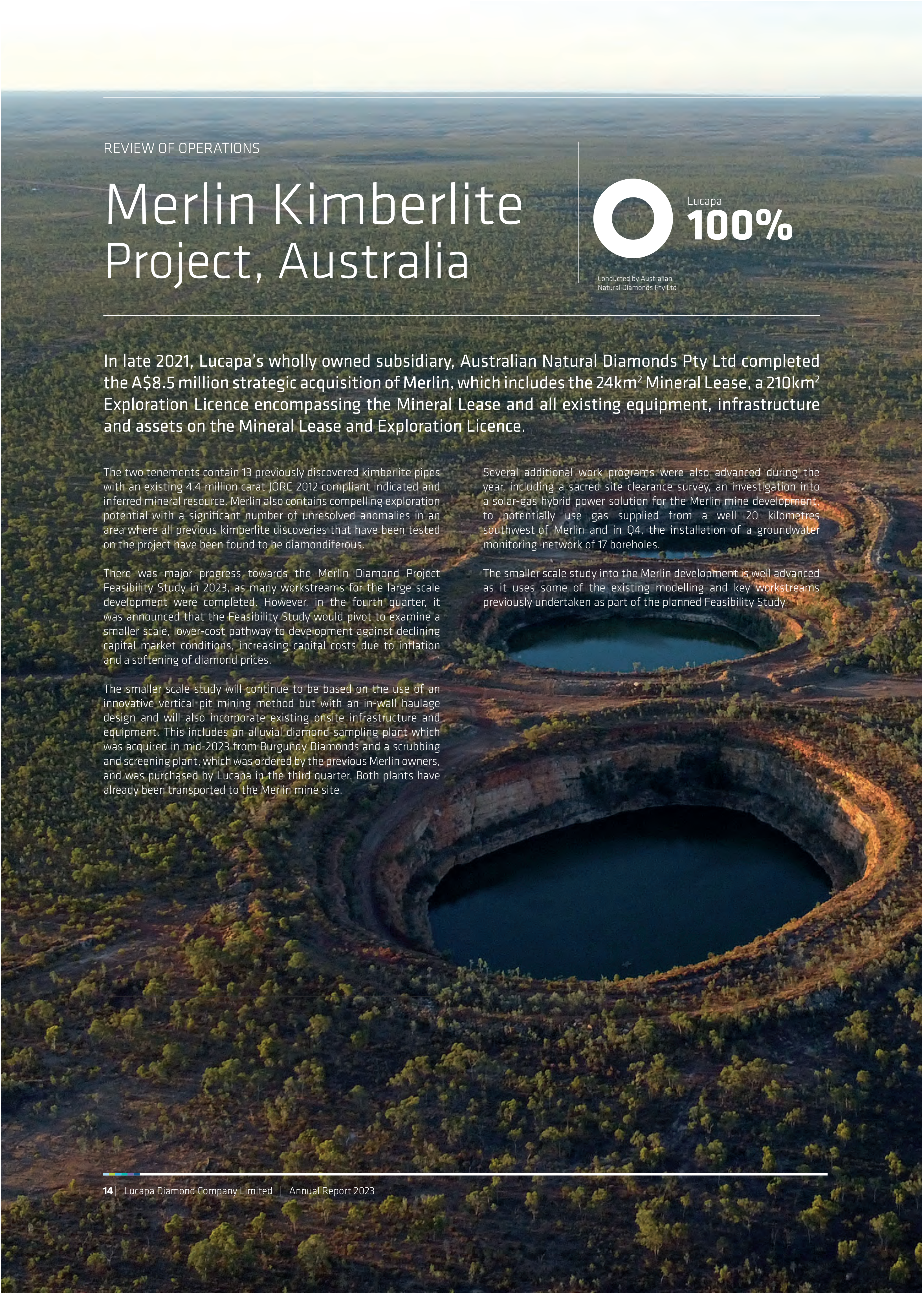
Rough diamond revenue of US$24.9 million was 13% higher than the previous year.

From Q1 to Q3, the value of stones recovered from Mothae was in line with expectations. However, in Q4, the size and quality of the diamonds declined as the lower-quality Type I stones dominated recoveries. This in turn sent the average price per carat achieved in Q4 lower to US$541 per carat from US$896 in Q3. The average price per carat achieved for Mothae production for the full year was US$775, 12 percent higher than the previous year, however approximately 20 percent lower than guidance for 2023.

Mothae reported EBITDA of US$2.9 million in 2023 following a loss of US$1.1 million in 2022. Although the operational performance improved significantly at Mothae throughout the year, an impairment charge was booked following the decrease in the value of diamond recoveries in Q4 and the possible impact and uncertainty on future cash flows.

Mothae gained an additional US$1.6 million in revenue from the cutting and polishing partnership with Safdico for 2023, double of what it gained in 2022. As per the partnership agreement, Safdico purchased the run-of-mine production from Mothae for the year with the mine being paid the full market value of the rough diamonds upfront, sharing equally in the margins generated thereafter.

Mothae Mine, Lesotho



REVIEW OF OPERATIONS

Merlin Kimberlite Project, Australia

Lucapa
100%

Conducted by Australian Natural Diamonds Pty Ltd

In late 2021, Lucapa's wholly owned subsidiary, Australian Natural Diamonds Pty Ltd completed the A$8.5 million strategic acquisition of Merlin, which includes the 24km² Mineral Lease, a 210km² Exploration Licence encompassing the Mineral Lease and all existing equipment, infrastructure and assets on the Mineral Lease and Exploration Licence.

The two tenements contain 13 previously discovered kimberlite pipes with an existing 4.4 million carat JORC 2012 compliant indicated and inferred mineral resource. Merlin also contains compelling exploration potential with a significant number of unresolved anomalies in an area where all previous kimberlite discoveries that have been tested on the project have been found to be diamondiferous.

There was major progress towards the Merlin Diamond Project Feasibility Study in 2023, as many workstreams for the large-scale development were completed. However, in the fourth quarter, it was announced that the Feasibility Study would pivot to examine a smaller scale, lower-cost pathway to development against declining capital market conditions, increasing capital costs due to inflation and a softening of diamond prices.

The smaller scale study will continue to be based on the use of an innovative vertical pit mining method but with an in-wall haulage design and will also incorporate existing onsite infrastructure and equipment. This includes an alluvial diamond sampling plant which was acquired in mid-2023 from Burgundy Diamonds and a scrubbing and screening plant, which was ordered by the previous Merlin owners, and was purchased by Lucapa in the third quarter. Both plants have already been transported to the Merlin mine site.

Several additional work programs were also advanced during the year, including a sacred site clearance survey, an investigation into a solar-gas hybrid power solution for the Merlin mine development, to potentially use gas supplied from a well 20 kilometres southwest of Merlin and in Q4, the installation of a groundwater monitoring network of 17 boreholes.

The smaller scale study into the Merlin development is well advanced as it uses some of the existing modelling and key workstreams previously undertaken as part of the planned Feasibility Study.

KIMBERLITE EXPLORATION

Lulo Joint Venture, Angola

Lucapa **39%**

Endiama **51%**

Rosas and Petalas **10%**

Conducted by Project Lulo Joint Venture

The primary source exploration program at Lulo significantly ramped up in 2023 following the commissioning of the dedicated kimberlite bulk sampling plant and the addition of new earthmoving fleet and equipment in 2022.

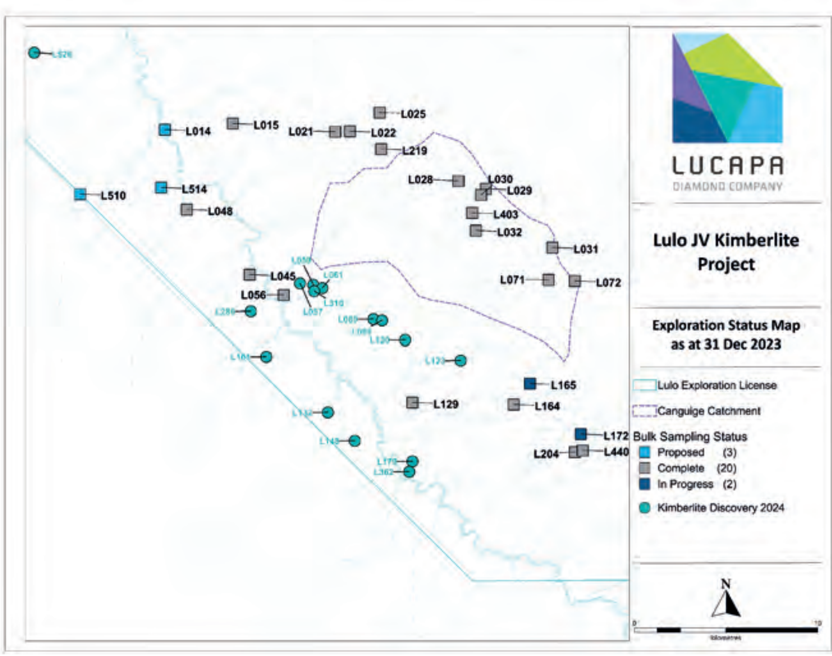
A total of 26 samples were processed as part of the kimberlite bulk sampling program in 2023, which equates to one sample every two weeks. In some cases, more than one sample was taken from the same kimberlite target to sample different geological units.

Sample L164/03 yielded 33 diamonds for a total of 28.29 carats at a calculated grade of 2.23 cphm3. The average stone size from this sample was 0.86 carats and there were five diamonds which were greater than one carat, with the largest being 2.38 carats.

Two earlier bulk samples taken from L164 at the end of 2022, totalled 41 diamonds for 66.05 carats from 2,200m3 with the two largest diamonds weighing 15.27 and 12.37 carats.

Other results from the 2023 bulk sampling campaign are as follows:

SAMPLE ID	VOLUME TREATED (M^3)	NUMBER OF DIAMONDS	CARATS
L056/01	902	13	7.85
L440/01	1,295	8	4.16
L204/01	1,406	19	5.24
L204/02	1,610	2	0.12
L204/03	1,702	6	4.19



In total, the primary source exploration program identified 6 kimberlites as diamondiferous during the year, taking the total for the exploration program to 15.

Discovery and delineation drilling continued throughout the year with 26 discovery core holes (2,250m) drilled to confirm the presence of new kimberlites, with 16 kimberlites confirmed from 21 geophysical targets investigated and 39 delineation core holes (1,211m) drilled to locate suitable sites for bulk sampling in selected kimberlites.

Twenty-three high-priority kimberlite targets have been identified to date for bulk sampling using a combination of geological factors, including the presence of high-interest diamond indicator minerals highlighted through mineral chemistry analysis.

Lucapa continued to progress the negotiations with its Angolan partners to secure a majority stake in the Project Lulo JV with the new mineral investment contract being drafted and progressing through the final stages of review.

Lulo Kimberlite Exploration, Angola

LAMPROITE EXPLORATION

Brooking Diamond, Project, WA

Lucapa
80%

Leopold Diamond Company **20%**

Conducted by Brooking Diamonds Pty Ltd

An extensive exploration program, consisting of auger drilling and soil geochemistry sampling, to define targets at Brooking took place during July.

In total, 246 auger holes measuring 639 metres were drilled across six targets.

The targets selected for testing during this phase of exploration were Camerons Bore, Leopold Road East, Katies Bore, East-West Creek, North-East Creek and Santa Fe Dam. Geochemical and heavy mineral samples were sent for analysis and interpretation.

KIMBERLITE EXPLORATION

Orapa Area F Project, Botswana

Lucapa
100%

Conducted by Lucapa Diamonds (Botswana) Pty Ltd

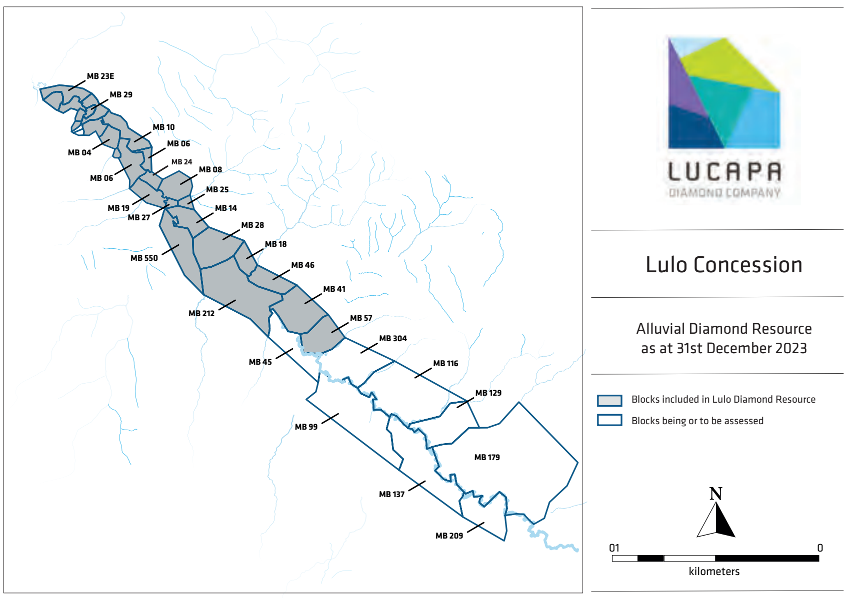
No field work was undertaken at Orapa Area F during 2023. However, a land-use permit was obtained as part of preparations for an exploration drilling program to commence in the first quarter of 2024.

The aim of the exploration program is to confirm via drilling whether the identified targets at Orapa are kimberlites.

Lulo Mine, Angola

Mineral Resources

The updated Lulo Diamond Resource was independently estimated and reconciled on a depletion and addition basis to 31 December 2023 by external consultants, Z Star Mineral Resource Consultants (Pty) Ltd ("Z Star") of Cape Town, South Africa.



After accounting for mining depletion of 30,585 carats during the 2023 calendar year, the extensive alluvial exploration activities undertaken during the year increased the Lulo Diamond Resource in-situ carats by 48 percent to 228,400 carats. This is the 6th consecutive year the resource carats have increased, despite the significant increase in mining and processing capacities over the last eight years.

The Mothae resource update is based solely on depletion due to mining over 2023.

The Merlin resource estimate remains unchanged from the previous year.

LULO JORC CLASSIFIED INFERRED ALLUVIAL DIAMOND RESOURCE – 31 DECEMBER 2023

DATE	AREA (M^2)	DILUTED VOLUME (M^3)	CARATS/ STONE	STONES	CARATS	DILUTED GRADE (CPHM^3)	MODELLED DIAMOND VALUE* (US$/ CARAT)
31 Dec 23	**4,780,000**	**5,020,000**	**1.26**	**181,900**	**228,400**	**4.55**	**1,897**
31 Dec 22	2,700,000	2,640,000	1.23	125,460	153,870	5.82	2,000

Notes:

i. m^2 = square metres; m^3 = cubic metres; cphm^3 = carats per 100 cubic metres

ii. Diluted volumes have been estimated based on historical mining production data to better reflect recoverable volumes and grades

iii. Bottom cut off screen size: effective 1.5mm

iv. Table contains rounded figures

* Special stones are not excluded in the modelling stage, either in terms of size or assortment

MOTHAE JORC CLASSIFIED DIAMOND RESOURCE - 31 DECEMBER 2023 LUCAPA 70% ATTRIBUTABLE					
RESOURCE CLASSIFICATION	**DATE**	**TONNES (MT)**	**GRADE (CPHT)**	**CARATS (MILLION)**	**MODELLED VALUE (US$/ CARAT)**
Indicated	31-Dec-23	5.73	3.1	0.18	627
Inferred		39.11	2.4	0.96	602
TOTAL		**44.84**	**2.5**	**1.13**	**606**
Indicated	30-Dec-22	8.05	3.1	0.25	635
Inferred		39.27	2.4	0.96	601
TOTAL		**47.32**	**2.6**	**1.21**	**608**

Notes:

(i) Table contains rounded figures

(ii) The grade and average modelled value estimates are quoted at a 3mm BCOS but with incidental diamond recoveries in the +9 and +11 DTC sieves included

(iii) The update is solely based on resource depletion due to mining between 31 Dec 2022 and 31 Dec 2023.

(iv) The Indicated Resource contains material to 75m below pit bottom (at 30 Sep 2020) in the South Lobe only. The Inferred Resource contains the remaining material to 300m below surface in the South, Neck and North lobes

(v) The tonnes and grades are quoted as dry tonnes and dry grades

(vi) Unclassified kimberlite exists from a depth of 300m to 500m below surface

(vii) This resource was first published 15th October 2020

MERLIN JORC CLASSIFIED DIAMOND RESOURCE – 31 DECEMBER 2023 LUCAPA 100% ATTRIBUTABLE				
RESOURCE CLASSIFICATION	**DATE**	**TONNES (MT)**	**GRADE (CPHT)**	**CARATS (MILLION)**
Indicated	31-Dec-23	13.4	17	2.28
Inferred		14.4	15	2.07
TOTAL		**27.8**	**16**	**4.35**

Notes:

(i) Mineral Resource reported in Lucapa's ASX announcement "Acquisition of Merlin Diamond Project and A$23M Capital Raising" on 24 May 2021.
No changes to the resource have been made since.

(ii) Mineral Resource grades based on previous mining operations recovery using a +0.95mm slotted bottom screen and +5DTC cut-off;

(iii) Insufficient grade data available to determine +5DTC cut-off grade for Tristram and Bedevere pipes therefore full-cut-off grades are used;

(iv) Rounding of tonnage and carats may result in computational inaccuracies.

Information included in this announcement that relates to exploration results and resource estimates is based on and fairly represents information and supporting documentation prepared and compiled by Richard Price MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Price is an employee of Lucapa Diamond Company Limited. Mr Price has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Price consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Information included in this report that relates to the stone frequency, grade and size frequency valuation and validation in the Lulo Diamond Resource estimate is based on, and fairly represents, information and supporting documentation prepared and compiled by Sean Duggan (Pri.Sci.Nat 400035/01) and David Bush (Pri.Sci.Nat 400071/00).

Messers. Duggan and Bush are directors and employees of Z Star Mineral Resource Consultants (Pty) Ltd, of Cape Town, South Africa. Both hold qualifications and experience such that both qualify as members of a Recognised Overseas Professional Organisation (ROPO) under relevant ASX listing rules. Messers. Duggan and Bush both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to each qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Code. Messers. Duggan and Bush both consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

SALES AND *marketing*

The diamonds produced at Lulo and Mothae are marketed in a number of ways.

Rough diamonds are sold via tender, run-of-mine sales and also through a cutting and polishing partnership which sees the operations share in the upside of the polished diamonds.

Lulo Diamond Sales

Eight run-of-mine sales were concluded by SML during the year, along with three special stone tenders organised by Sodiam. The first exceptional stone tender, featuring four Lulo diamonds was held in the second quarter of the year, and achieved US$26,936 per carat for a total of US$10.7 million.

Two tenders were held in the fourth quarter. The October tender attracted US$15.7 million or US$29, 401 per carat for 7 Lulo diamonds. The other tender, held in December achieved US$17 million or US$28,000 per carat for four Lulo diamonds, three of which were over 100 carats each.

The partnership with high-end diamantaire Safdico International, a subsidiary of renowned fine jeweller Graff, continues to reap benefits for both the mines from beyond the mine gate.

Safdico, as a preferred buyer of SML, is eligible to purchase up to 60% of Lulo's annual rough production from SML, as is permitted under Angola's diamond marketing regulations.

The cutting & polishing activities performed to expectations in 2023 on the parcels that were bought by the partnership, with Lulo receiving an additional US$1.2 million in margins.

Mothae Diamond Sales

Diamond cutting and polishing partners Safdico has a committed buying and selling agreement with Mothae where the entire diamond production is sold into a cutting and polishing partnership.

Mothae is paid up front for the rough market value of the diamonds, with both companies sharing in the margins generated by the cutting and polishing of the diamonds.

Eleven diamond sales were held by Mothae during 2023 with total revenues of US$24.9 million achieved at an average annual diamond price of US$775 per carat.

In the first half of the year, Mothae goods attracted US$940 per carat on average, however in the second half of the year, the lower quality of diamonds recovered in Q4 and the fall in the rough diamond market during H2, impacted the average price per carat for the year.

The cutting and polishing activities performed well in 2023, with Mothae receiving an additional US$1.6 million in margins, double the US$0.8 million gained in 2022.

Diamond Market

Diamond prices in the second half of 2023 were impacted by tightening economic conditions imposed by central banks, India temporarily suspending rough diamond imports for two months in Q4 and a surge in inflation which affected discretionary spending.

The overall diamond price index began to trend upwards towards the end of 2023 coinciding with two major events in the global diamond trade. The first was the reinstatment of rough diamond imports to Indian diamond manufacturers after the two-month suspension from October to December, which had the effect of easing oversupply and stabilising prices.

The second newsworthy event to occur was the European Union's decision to phase in restrictions on Russian diamond imports in 2024, which provided some clarification and certainty moving into the new year after several months of speculation.

CORPORATE GOVERNANCE *statement*

Lulo Mine, Angola

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Lucapa is a strong advocate of good corporate governance.

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ("Recommendations") where considered appropriate for a Company of Lucapa's size and complexity.

Lucapa has implemented the ASX Corporate Governance Council's Fourth Edition Corporate Principles ("Fourth Edition") and Recommendations. Accordingly, this Corporate Governance Statement has been prepared on the basis of disclosure under the Fourth Edition of these principles. Details of the Company's compliance with these principles are summarised in the Appendix 4G announced to the ASX in conjunction with the Annual Report.

This statement describes how Lucapa has addressed the Council's guidelines and eight corporate governance principles and where the Company's corporate governance practices depart from the Recommendations, the Company discloses the reason for adoption of its own practices on an "if not, why not" basis.

Given the size, complexity and development nature of the Group and the cost of strict compliance with all the Recommendations, the Board has adopted a range of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. At the end of this statement is a checklist setting out the Recommendations with which the Company does or does not comply. The information in this statement is current as at 18 April 2024.

Background

Lucapa has a highly experienced and well credentialed Board and management team, with a proven history of developing diamond projects successfully, quickly and cost effectively in a corporately responsible manner.

Lucapa recognises the importance of its people in building a strong and successful organisation. To achieve this, Lucapa has focused on developing the right culture across the organisation, which is strongly based on a vision, mission and values communicated in our teams in Australia and Africa to ensure they know what is expected of them, both operationally and behaviourally, and are recognised for their good work.

Vision

Lucapa's vision is to become a pre-eminent mid-tier diamond company with multiple assets, vertically integrating through the supply chain, to bring greater value to all stakeholders.

Mission

Lucapa's mission is to explore and grow our production of niche high-value diamonds in a safe, responsible, innovative and profitable manner for the benefit of all stakeholders.

Values

Integrity

We interact with all stakeholders with integrity, honesty, transparency and fairness.

Safety

We conduct operations in a safe, responsible and environmentally conscious manner.

Teamwork

We attract and employ the best skillsets, encourage teamwork, diversity and reward performance.

Partnership

We work with the local communities in which we operate for common benefit.

The Board is targeting the highest standards of corporate governance to continue their track record of delivering this value.

The following governance-related documents can be found on the Company's website at www.lucapa.com.au under the section marked "Investors" / "Company Information" / "Corporate Governance".

Charters

- Board

Board

- Code of Conduct
- Policy and Procedure for Selection and (Re)Appointment of Directors
- Policy on Assessing the Independence of Directors
- Securities Trading Policy
- Risk Management Policy
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Policy on Continuous Disclosure
- Shareholder Communication Policy
- Diversity Policy
- Whistle Blower Policy
- Anti-Bribery and Corruption Policy
- Anti-Slavery Policy

Principle 1
Lay solid foundations for management and oversight

The main function of the Board is to lead and oversee the management and strategic direction of the Group. The Board regularly measures the performance of management in implementation of the strategy through regular Board meetings.

Lucapa has adopted a formal Board charter delineating the roles, responsibilities, practices and expectations of the Board collectively, the individual Directors and management.

The Board of Lucapa ensures that each member understands their roles and responsibilities and ensures regular meetings so as to retain full and effective control of the Company.

Role of the Board

The Board responsibilities are as follows:

- Setting the strategic aims of Lucapa and overseeing management's performance within that framework;
- Making sure that the necessary resources (financial and human) are available to the Group and management to meet its strategic objectives;
- Overseeing and measuring management's performance in delivering the Company's strategic objectives;
- Selecting and appointing a Managing Director with the appropriate experience and skills to help the Group in the pursuit of its strategic objectives;
- Controlling and approving financial and compliance reporting, capital structures and material contracts;
- Ensuring that a sound system of risk management and internal controls is in place;
- Setting the Company's vision, core values and standards;
- Undertaking regular review of the corporate governance policies to ensure adherence to the ASX Corporate Governance Council principles;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring the health, safety and well-being of employees in conjunction with management, developing, overseeing and reviewing the effectiveness of the Group's occupational health and safety systems to assure the well-being of all employees;
- Ensuring an adequate system is in place for the proper delegation of duties for the effective day to day running of the Group without the Board losing sight of the direction that the Group is taking;
- Ensuring the Company values diversity in all aspects of its business.

Delegation to management

Other than matters specifically reserved for the Board, responsibility for the operation and administration of the Company has been delegated to the Managing Director. This responsibility is subject to an approved delegation of authority which is reviewed regularly.

Internal control processes are designed to allow management to operate within the parameters approved by the Board and the Managing Director cannot commit the Group to additional activities or obligations in excess of these delegated authorities without specific approval of the Board.

Election of Directors

The Board is responsible for overseeing the selection process of new Directors, and undertakes appropriate checks before appointing a new Director, or putting forward a candidate for election as a Director. All relevant information is provided in the Notice of Meeting seeking the election or re-election of a Director including:

- Biographical details including qualifications and experience;
- Other directorships and material interests;
- Term of office;
- Statement by the Board on the independence of the Director;
- Statement by the Board as to whether it supports the election or re-election; and
- Any other material information.

Terms of appointment

Non-executive Directors

To facilitate a clear understanding of roles and responsibilities all non-executive Directors have signed a letter of appointment. This letter of appointment includes acknowledgement of:

- Director responsibilities under the Corporations Act, Listing Rules, the Company's Constitution and other applicable laws;
- Corporate governance processes and Group policies;
- Board and Board sub-committee (if applicable) meeting obligations;
- Conflicts and confidentiality procedures;
- Securities trading and required disclosures;
- Access to independent advice and employees;
- Confidentiality obligations;
- Directors fees;
- Expenses reimbursement;
- Directors and officers insurance arrangements;
- Other directorships and time commitments; and
- Board performance review.

Managing Director

The Managing Director has a signed services agreement. For further information refer to the Remuneration Report.

Role of Company Secretary

The Company Secretary is accountable to the Board for:

- Advising the Board and committees on corporate governance matters;
- The completion and distribution of Board and committee papers;
- Completion of Board and committee minutes; and
- The facilitation of Director induction processes and ongoing professional development of Directors.
- All Directors have access to the Company Secretary who has a direct reporting line to the Chairman.

Diversity

The Board values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilises the contribution of its employees. The purpose of this is to provide diversity and equality relating to all employment matters. The Group's policy is to recruit and manage on the basis of experience, ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/ cultural background, religious or political opinions, family responsibilities or disability.

The Group's objective is to improve gender diversity at all levels of its business on a year-on-year basis whilst recognising that it operates in very competitive labour markets in remote locations, with strong cultural sensitivities, where positions are sometimes difficult to fill. There is periodic reporting at the Group's operations to measure the gender mix within various levels of the organisation. The Group is committed to continually assessing and proactively monitoring these diversity trends and advocates that every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Group opposes all forms of unlawful and unfair discrimination. The Board comprised three Directors as at 31 December 2023, all of whom were male. The Board has determined that the composition of the current Board Directors have an appropriate range of qualifications and expertise in the industries and the jurisdictions in which the Group operates, can understand and competently deal with current and emerging business matters and can effectively assess the performance of management.

The Board is aware that many studies suggest that greater gender diversity at Board and management level creates a positive force for driving corporate performance as qualified and committed directors with different backgrounds, experiences and knowledge will likely enhance corporate performance. In Q4/2023, the Company announced that it was seeking to identify additional suitable independent non-executive candidates to join the Board and a significant number of applicants were considered regardless of gender, age, ethnicity or cultural background. In April 2024, two independent non-executive directors were appointed to the Board and one non-executive director stepped down. The Board now comprises four Directors, all of whom are male. The Board remains focused on resolving the gender imbalance by continuing to identify a pipeline of suitably qualified candidates with careful consideration of those who strengthen the Board skills matrix. The Company continues to support the Australian Institute of Company Director's Board diversity initiatives and will continue to evolve its Board in alignment with the Company's needs and diversity best practice.

GENDER REPRESENTATION	31 DECEMBER 2023				31 DECEMBER 2022			
	FEMALE		MALE		FEMALE		MALE	
	NO.	%	NO.	%	NO.	%	NO.	%
Board representation	0	0	3	100	0	0	4	100
Group representation	130	13	881	87	125	14	781	86

The following senior position within the Company is held by a female employee;

- Head of Investor Relations and Corporate Communications
- Two Non-executive Directors of Mothae Diamonds (Pty) Ltd
- Human Resources and Administrative Director of Sociedade Mineira Do Lulo Lda

Performance review

Board and Board committees

A review of the Board's performance and effectiveness is conducted annually and the performance of individual Directors is undertaken regularly. The Board has the discretion for these reviews to be conducted either independently or on a self-assessment basis.

The review focuses on:

- Strategic alignment and engagement;
- Board composition and structure;
- Processes and practices;
- Culture and dynamics; relationship with management; and
- Personal effectiveness.

A review of the Board's performance and effectiveness in respect of the year ended 31 December 2023 was conducted.

Managing Director and senior executives

Performance evaluations of the Managing Director and senior executives is undertaken annually through a performance appraisal process which involves reviewing and assessment of performance against agreed corporate objectives and individual key performance indicators or deliverables.

A review of the Managing Director's performance and effectiveness in respect of the year ended 31 December 2023 was conducted.

Retirement and rotation of directors

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. There must be an election at each annual general meeting of the Company. The Constitution provides that the following directors must retire at each annual general meeting;

- any director required to retire under clause 14.4(b) of the Constitution, being the provision relating to the three year limit on the term of a director;
- any director required to submit for election under clause 14.2(c) of the Constitution, being the provision requiring casual vacancies to retire at the next annual general meeting following their appointment (Mr Stuart Brown and Mr Ronnie Beevor will seek election at the annual general meeting on 28 May 2024); or
- if no person is standing for election or re-election under the above, then the director that has been in office the longest will seek re-election (as Mr Brown and Mr Beevor are required to retire and are seeking election under clause 14.2(c), this will satisfy the requirements to hold an election at the annual general meeting and as such, there will be no other director required to retire).

Independent professional advice

Each Director of the Company or a controlled entity has the right to seek independent professional advice at the expense of the Company or the controlled entity. However, prior approval of the Chairman is required which will not be unreasonably withheld.

Access to employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Chairman or as outlined under the Whistleblower policy. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent Director without further reference to senior executives of the Company.

Directors' and officers' liability insurance

Directors' and officers' liability insurance is maintained by the Company for the Directors and senior executives at the Company's expense.

Board meetings

The frequency of Board meetings and the extent of reporting from management at Board meetings are as follows:

- A minimum of four scheduled meetings are to be held per each financial year;
- Other meetings will be held as required;
- Meetings can be held where practicable by electronic means;
- Information provided to the Board includes all material information related to the operations of the Group including exploration, evaluation, development and mining operations, budgets, forecasts, cash flows, funding requirements, investment and divestment proposals, new business development activities, investor relations, financial accounts, sales and market information, taxation, external audits, internal controls, risk assessments, people and health, safety and environmental reports, statistics and new business;
- Once established or as necessary, the Chairman of the appropriate Board sub-committee or other meeting will report at the subsequent Board meeting the outcomes of that meeting.

The number of Directors' meetings (including meetings of committees of Directors where applicable) and the number of meetings attended by each of the Directors of the Company during the financial year are set out in the Directors' Report.

Principle 2
Structure the Board to be effective and add value

The names of the Directors of the Company and their qualifications are set out in the section headed "Information on Directors" in the Directors' Report.

The ASX Corporate Governance Council guidelines recommend that the Board should constitute a majority of independent Directors and that the Chairperson should be independent. As at 31 December 2023, the Board consisted of three Directors of whom one was considered independent being Mr Miles Kennedy (non-executive Chairman - appointed as a director on 12 September 2008 and served as Executive Director until 11 December 2014). The Board considers that whilst Mr Kennedy has served as a Director for a long period, he remains independent from management and substantial shareholders and is therefore able to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party. Mr Ross Stanley (non-executive Director – appointed 26 July 2018) had a substantial shareholding in the Company and therefore did not meet the criteria for an independent Director. Mr Nick Selby (Managing Director - appointed as a director on 4 September 2017 and served as Executive Director until 1 August 2023 and then interim Managing Director until 5 October 2023) therefore does not meet the criteria for an independent Director due to his executive role.

In Q4/2023 the Company announced that the Board had set about identifying and assessing suitable independent non-executive director candidates to complement the existing competencies of the Board to drive performance, create shareholder value and lead ethically by example.

In April 2024, Mr Stuart Brown was appointed independent non-executive Chair and Mr Ronnie Beevor was appointed independent non-executive director. At the same time, Mr Kennedy stepped down as Chair and Mr Stanley left the Board. As of the date of this report the Board consists of four Directors, the majority of which are considered independent.

Board skills and experience

The Company objective is to have an appropriate mix of experience and expertise on the Board and Committees so that the Board can effectively discharge its strategic, corporate governance and oversight responsibilities.

The composition of the Board has been structured so as to provide the Company with an adequate mix of non-executive and executive Directors with exploration, development and mining industry knowledge, country specific knowledge, technical, commercial, capital markets and financial skills together with integrity and judgment considered necessary to represent shareholders and fulfil the business objectives of the Group.

During FY23, the Board acknowledges that it was not comprised by a majority of independent directors, however it has addressed this subsequent to year end by identifying and appointing two independent non-executive directors with the skills commensurate with the growth and development of the Group's activities and to complement the existing competencies of the Board to drive performance, create shareholder value and lead ethically by example.

This mix described in the Board skills matrix is based on the Board composition as at 31 December 2023 as follows:

SKILLS	DIRECTORS HOLDING THIS SKILL
Resources industry and Africa experience	3
Diamond industry and marketing	3
Strategy	3
M&A	3
Finance	3
Risk Management	3
Government relations	3
Capital projects; financing/ project management	3
Sustainable development	3
Previous board experience	3
Governance	3
Policy	3
Executive leadership	3
Remuneration	3

The competencies that the current Board members have formulated their analysis are based upon the criteria judged as important by the Board given the Company's current stage of growth, in conjunction with independent industry guidance as follows:

- **Resources Industry & Africa Experience** - experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competition.
- **Diamond Industry & Marketing Experience** - specific experience in the diamond industry, including an in-depth knowledge of exploration, operations, project development, markets, cutting and polishing, competitors and relevant technology.
- **Strategy** – identifying and critically assessing the strategic opportunities and threats to the organisation and developing and implementing successful strategies in context to an organisation's policies and business objectives.
- **Mergers and Acquisition** – experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.
- **Finance** – senior executive or other experience in financial accounting and reporting, internal financial and risk controls, corporate finance and restructuring corporate transactions.
- **Risk Management** - experience working with and applying broad risk management frameworks in various countries, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.
- **Government Relations** – senior management or equivalent experience (particularly transactional) working in politically, culturally and regulatory diverse business environments.
- **Capital Projects; Financing / Project Management** – experience with projects involving contractual negotiations, significant capital outlays, procuring project investment and securing partners with long investment horizons.
- **Sustainable Development** – senior management or equivalent experience in economic, social and environmental sustainability and workplace health and safety practices.
- **Previous Board Experience** – serving on boards of varying size and composition in varying industries and for a range of organisations. Awareness of global practices, benchmarking, some international experience.
- **Governance** – implementing the high standards of governance in a major organisation that is subject to rigorous governance standards and assessing the effectiveness of senior management.
- **Policy** – identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate.
- **Executive Leadership** – experience in corporate structuring, overseeing strategic human capital planning, evaluating the performance of senior management, industrial relations, organizational change management and sustainable success in business at a senior level.
- **Remuneration** – experience in remuneration strategy, remuneration governance frameworks, Corporations Act and employment law, performance and incentive schemes.

The Board Skills Matrix is an important driver to formalise the director nomination processes and was applied as a significant number of candidates were considered for the recently appointed independent non-executive director positions to complement the existing skill sets on the Board and in alignment with the Company's needs and best practice.

Nomination of other Board members

Membership of the Board of Directors is reviewed on an on-going basis by the Chairperson of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Group's businesses and its objectives and diversity.

The Board currently performs the role of a Nomination Committee given the Company's size and stage of growth. However this will be reviewed to ensure there is a continued emphasis on board membership which aligns with the Company's corporate culture and addresses independence and diversity.

The Board has focussed on a measured process to ensure it maintains a strong, well-credentialed Board to oversee the Company's next growth phase.

As part of the Board restructuring process that commenced during FY23, the Company sought to identify suitable non-executive director candidates to join the Board based on readily available information on respective backgrounds, current Board positions and visible competencies.

Director induction and ongoing professional development

The Company does not have a formal induction program for Directors but does provide Directors with information detailing policies, corporate governance and various other corporate requirements of being a director of an ASX listed company. To the extent required, new Directors are provided access to the diamond industry centres and given audiences with key management, industry participants as part of the induction. Due to the size and nature of the business, Directors are expected to already possess a level of both industry, technical, corporate and commercial expertise before being considered for a directorship of the Company. Directors are provided with the opportunity to access employees of the business and any information as they require on the business including being given access to regular operational updates, industry update, news articles and publications where considered relevant.

Principle 3
Instill a culture of acting lawfully, ethically and responsibly

Directors, officers, employees and consultants to the Group are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Group and they are required to maintain a reputation of integrity on the part of both the Group and themselves. The Group does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Lucapa recognises the importance of its people in building a strong and successful organisation. To achieve this, Lucapa has focused on developing the right culture across the organisation, which is strongly based on a vision, mission and values communicated in our teams in Australia and Africa to ensure they know what is expected of them, both operationally and behaviourally, and are recognised for their good work.

Code of Conduct

The Company's Code of Conduct policy has been endorsed by the Board and applies to all Directors, officers, employees and consultants.

Whistleblower policy

In line with the Code of Conduct, the Company has a Whistleblower policy that ensures that all eligible whistleblowers who make a report in good faith can do so without fear of intimidation, disadvantage or reprisal.

Anti-Bribery and Corruption and Anti-Slavery policies

The Company's Anti-Bribery and Corruption and Anti-Slavery policies have been endorsed by the Board and applies to all Directors, Group employees, consultants, contractors and third-parties.

Conflicts of interest

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Group and to act in accordance with the Corporations Act if the conflict cannot be removed or if it persists. That involves taking no part in the decision-making process or discussions where a conflict does arise.

Trading in Company securities

Directors are required to make disclosure of any trading in the Company's shares. The Company policy in relation to share trading is that Directors, key management personnel, officers, employees, consultants and contractors of the Group ("Staff") are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Group or within a certain period of the release of results i.e. the blackout period. That is information which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

Staff must receive authority to acquire or sell shares from the Chairman or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which Staff might not be aware. The undertaking of any trading in shares by a Director must be notified to the ASX.

Principle 4
Safeguard the integrity of corporate reports

Lucapa has a financial reporting process which includes quarterly, half year and full year reports which are signed off by the Board before they are released to the market.

The Company's Continuous Disclosure policy ensures that any corporate reports that are released to the market that are not audited or reviewed by an external auditor are reviewed by the Board and appointed responsible officers, which are the Managing Director, Head of Investor Relations and Corporate Communications, the Company Secretary and Chief Financial Officer (or equivalent), to verify the accuracy of information before being released.

The Board does not have a separate Audit Committee given the current size of the Board. However it is intended that a committee will be established comprised by a majority of independent directors as the Company transitions to become a mid-tier producer.

In the interim, the four Board members, who each have extensive corporate, commercial and financial expertise, manage the financial oversight as well as advise on the modification and maintenance of the Group's financial reporting, internal control structure, external audit functions, and appropriate ethical standards for the management of the Group.

In discharging its oversight role, the Board is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Group and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Managing Director and Chief Financial Officer (or equivalent) reports on the propriety of compliance on internal controls and reporting systems and ensures that they are working efficiently and effectively in all material respects.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's and Group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Company's external auditor attends each annual general meeting and is available to answer questions from shareholders relevant to the conduct of the external audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the auditor.

Principle 5
Make timely and balanced disclosure

The Company has adopted a formal policy dealing with its disclosure responsibilities. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of non-public information:

- Concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The policy also addresses the Company's obligations to prevent the creation of a false market in its securities. The Company also publishes other information to assist investors to make an informed decision on its website.

The Managing Director has ultimate authority and responsibility for recommending market disclosure to the Board which, in practice, is exercised in conjunction with the Board and Company Secretary.

In addition, the Board will also consider whether there are any matters requiring continuous disclosure in respect of each and every item of business that it considers.

Principle 6
Respect the rights of security holders

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's strategic objectives to add value for them. The Board maintains an investor relation program which will inform shareholders of all major developments affecting the Group by:

- Preparing half yearly and yearly financial reports;
- Preparing quarterly reports as to activities;
- Making announcements in accordance with the listing rules and the continuous disclosure obligations;
- Posting all the above on the Company's website once released to the ASX;
- Annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report, if requested, together with notice of meeting and proxy form; and
- Voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to discuss the annual report and participate in the meetings either by attendance or by written communication. The Company provides all shareholders with a Notice of Meeting so they can be fully informed and be able to vote on all resolutions at the Annual General Meeting. Shareholders are able to discuss any matter with the Directors and/ or the auditor of the Company who is also invited to attend the Annual General Meeting.

Shareholders have the option to receive all Company and share registry communications electronically and may also communicate with the Company by contacting the Company via email.

Principle 7
Recognise and manage risk

The Board has adopted a Risk Management policy, which sets out the Group's risk profile. Under the policy, the Board is responsible for approving the Group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegate's day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks with other executive management. The executive is also responsible for updating the Group's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the executive has unrestricted access to Group employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate.

The Board does not have a separate Risk Management Committee as the Board monitors and reviews the integrity of financial reporting and the Group's internal financial control systems. Management assesses the effectiveness of the internal financial control on an annual basis and table any concerns and/ or recommendations at Board meetings where required.

In addition, the following risk management measures have been adopted by the Board to manage the Group's material business risks:

- Establishment of financial control procedures and authority limits for management;
- Approval of an annual budget;
- Adoption of a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations;
- Adoption of a corporate governance manual which contains other policies to assist the Group to establish and maintain its governance practices; and
- Compilation, maintenance and review of a risk register to identify the Group's material business and operational risks and risk management strategies for these risks. The risk register is reviewed half yearly and updated as required. The Executive reports to the Board on material business risks at each Board meeting.

The Board has required the executive to design, implement and maintain risk management and internal control systems to manage the material business risks of the Group. The Board also requires management to report to it confirming that those risks are being managed effectively.

The Chief Financial Officer (or equivalent) has provided a declaration to the Board in accordance with section 295A of the Corporations Act and has assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risks.

The Board monitors the adequacy of its risk management framework regularly to ensure that it continues to be sound and deals adequately with contemporary and emerging risks and that the Company is operating with due regard to the risk appetite set by the Board and discloses that reviews have taken place at the end of each reporting period.

Internal Audit

The Group does not have an internal audit function as the Board believes the business is neither the size nor complexity that requires such a function. The Board is currently responsible for monitoring the effectiveness of internal controls, risk management procedures and governance.

Sustainability and Industry risks

The Group's operations are and will continue to be subject to a range of hazards and risks normally incidental to exploring for, evaluating, developing and mining diamond resources.

The Company and its subsidiaries have detailed risk matrices which are regularly reviewed, and which highlight critical risk factors that the Group faces at any particular time. Principal risks to the business include, amongst others, those relating to:

- Macroeconomic factors, sovereign and partner risk, global diamond market and diamond demand and pricing;
- The ability to raise capital and/ or required additional funding for continued exploration, evaluation, development and mining operations;
- Operational issues such as severe weather conditions, supply delays, major equipment breakdowns and labour disputes;
- The ability to replace resource and reserves as they are depleted or become uneconomical and/ or achieve exploration success;
- Environmental, health and safety and social issues (see below); and
- Retention and reliance on key executives.

As the Group expands its activities either within existing projects or with the addition of new projects, it is expected that the sustainability risks will change accordingly.

The Board reviews the overall sustainability of both the diamond business and more specifically, the Group, in its normal course of business.

Details of the Group's sustainability activities and strategic direction are set out in the ESG Report.

Environmental and Social Risks

The Group strives to operate in accordance with the highest standards of environmental practice and comply in all material respects with applicable environmental laws and regulations. Such regulations typically cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations.

The Company has adopted a formal Anti-Bribery and Corruption and Anti-Slavery policies which apply to all staff, consultants and contractors that work with the Group. The policies seek to ensure that the Company operates in an ethical and transparent manner in all business dealings and that the Company has a Whistleblower policy and mechanism for staff to alert management should any issues or incidents occur.

The Board monitors the adequacy of its environmental and social risk management to ensure that it continues to be sound and deals adequately with contemporary and emerging risks in the respective jurisdictions the Group operates within.

Principle 8
Remunerate fairly and responsibly

The Company does not have a Remuneration Committee given the size of the Board. However it is intended that a committee will be established comprised by a majority of independent directors as the Company transitions to become a mid-tier producer. In the interim, the Board monitors and reviews the remuneration level and policy of the Group.

Details of the remuneration policy are contained in the Remuneration Report included in the Directors' Report. The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment, and responsibilities. Any services over and above their agreed responsibility is remunerated separately on normal commercial terms. Remuneration for non-executive Directors is not linked to individual performance. The Company may grant options and performance rights to non-executive Directors. The grant of options and performance is designed to recognise and reward efforts as well as to provide non-executive Directors with additional incentive to continue those efforts for the benefit of shareholders and the Group.

The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive Directors is subject to approval by the shareholders at general meeting.

Pay and rewards for executive Directors and senior executives consists of a base salary, performance and retention incentives. Medium and long-term performance incentives may include options and/ or performance rights granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options and/ or performance rights is designed to recognise and reward efforts as well as to provide additional incentives and retentions and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies and industry) and are reviewed annually to ensure market competitiveness. The Company's policy is not to allow transactions in associated products which limit the risk of participating in unvested elements of equity-based compensation plans.

The Directors are not entitled to a termination bonus or retirement benefit (other than for superannuation). The Directors' contracts contain a service bonus in the event of a takeover or change of control, subject to shareholder approval where required.

During the previous reporting period the Board engaged an independent remuneration consultant, BDO Remuneration and Reward Pty Limited, to review the pay and rewards for Directors and senior executives including independent benchmarking as the Company continues to maximise operating performance from its existing mines and the development of the Company's Merlin Project in the Northern Territory, Australia.

The Company is entering an important phase and the Board believes that whilst the remuneration framework is appropriate and fit-for-purpose based on the Company's development and growth profile and to drive and deliver the outcomes desired by all shareholders, it has adopted the recommendations from the independent remuneration consultant which focus on providing directors, key management personnel and senior management with clear short term, project based and long-term incentives to drive alignment of the Company's key objectives.

The Remuneration framework for short-term incentives (STI) is in the form of cash and equity, Project Based Incentives (PBI) in the form of equity and long-term incentives (LTI) in the form of equity, were measured against the Company's relevant targets in FY22 and FY23 such as;

STI;
- Production
- Expenditures/ Capex
- ESG and Safety
- Exploration

PBI;
- Production at the Merlin Project

LTI;
- Absolute shareholder return

The independent review has considered Non-executive directors total fixed remuneration in relation to benchmarked peers in which non-executives are encouraged to hold shares in the Group to partake in the future growth of the Group and, to participate in the Group's profits and dividends that may be realised in future years.

FINANCIAL *report*

Directors' Report

The Directors present their report together with the financial report of Lucapa and the Group for the financial year ended 31 December 2023 and independent auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial period are:

Name	Position	Period of directorship
M Kennedy	Non-Executive Chairman	Appointed 12 September 2008
N Selby	Chief Executive Officer/ Managing Director Interim Chief Executive Officer/ Managing Director Previous Chief Operating Officer/ Executive Director	Effective from 5 October 2023 1 August 2023 to 4 October 2023 Appointed 4 September 2017
R Stanley	Non-Executive Director	Appointed 26 July 2018
S Wetherall	Previous Chief Executive Officer/ Managing Director	Appointed 13 October 2014 Resigned 31 July 2023

The qualifications, experience and other directorships of the Directors in office at the date of this report are:

Miles Kennedy

Mr Kennedy has held directorships of Australian listed companies for more than 30 years. He was previously Chairman of companies including Sandfire Resources, Kimberley Diamond Company, Blina Diamonds, Macraes Mining Company, MOD Resources and Auris. He has extensive experience in the management of public companies with specific emphasis in the resources industry. He lives in Dunsborough, Western Australia.

Nick Selby

Mr Selby is an extraction metallurgist with over 35 years' experience in the mining industry. He began his career with De Beers, where he spent 19 years in a range of technical roles. Mr Selby joined Gem Diamonds in 2005, where he was responsible for establishing diamond projects in various countries including Angola, Australia, DRC, Central African Republic, Indonesia, Lesotho and Botswana. He lives in Perth, Western Australia.

Ross Stanley

Mr Stanley has an extensive background in the resources industry in Australia and Africa, specialising in drilling and related exploration and mining services. He was the founder and Managing Director of ASX-listed Stanley Mining Services prior to its merger with Layne Christensen in 1997. Mr Stanley was also a major shareholder and Non-Executive director of Perth-based gold miner Equigold NL, which was taken over by Lihir Gold for A$1.1 billion in 2008. He is a Non-Executive director of ASX listed Emerald Resources NL. He lives in Dunsborough, Western Australia.

Stephen Wetherall *(resigned 31 July 2023)*

Mr Wetherall is a chartered accountant and member of the South African Institute of Chartered Accountants with more than 20 years' experience in financial and operational management, corporate transactions and strategic planning, most of which has been in the diamond industry. He has held senior financial and executive roles with diamond major De Beers and London-listed Gem Diamonds. He lives in Perth, Western Australia.

Company Secretary

Mr Clements was appointed Company Secretary on 2 July 2012. Mr Clements holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants of Australia, a Fellow of the Governance Institute of Australia and member of the Australian Institute of Company Directors. Mr Clements currently holds the position of company secretary and/ or director of several publicly listed companies and has experience in corporate governance, finance, accounting and administration, capital raising, ASX compliance and regulatory requirements.

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of meetings attended	Number of meetings held during the time the Directors were in office during the year
M Kennedy	7	7
N Selby	7	7
R Stanley	7	7
S Wetherall	5	5

Nature of Operations and Principal Activities

In 2023, the Group continued to focus on its Angolan assets (alluvial diamond mining, resource extension and kimberlite exploration at Lulo), its Lesotho asset (kimberlite diamond mining and capacity expansion at Mothae) and its Australian assets (completing the acquisition of Merlin in the Northern Territory and lamproite diamond exploration at Brooking in Western Australia). Limited work was also undertaken at Lucapa's Botswana asset (kimberlite exploration at Orapa Area F).

Operating and Financial Review

Overview

Lucapa is a producer of large and high-quality diamonds from its Lulo Alluvial Mine ("SML") in Angola and the Mothae Kimberlite Mine ("Mothae") in Lesotho. Both mines produce diamonds which attract some of the highest prices per carat in the world. The individual mines earn extra returns from beyond the mine gate through cutting and polishing margins which are generated by a partnership with a high-end diamantaire.

The Company's 100% owned subsidiary, Australian Natural Diamonds Pty Ltd acquired the Merlin Diamond Project ("Merlin") in the Northern Territory in 2021. A Feasibility Study into a low-cost, small-scale development of Merlin is expected to be completed in 2024.

The Company is also advancing exploration and evaluation activities on several projects in Africa and Australia. The most advanced of these programs is the prospective Lulo Kimberlite Exploration Joint Venture in Angola which is searching for the primary source of the large, high-value alluvial diamonds regularly recovered by SML's mining operations.

2023 Group Highlights

2023 Group highlights include:

- Full Year Group production guidance achieved;
- Rough diamond revenue: US$102.2 million (A$154.3 million) on a 100% basis at an average price of US$2,458 per carat;
- EBITDA: US$23.4 million (A$36.3 million) on 100% basis;
- Attributable Rough diamond revenue: US$48.4 million (A$72.9 million);
- Attributable EBITDA: US$8.3 million (A$12.9 million);
- 63,469 carats recovered on a 100% basis;
- Lulo recovered 5 +100 carat diamonds for the year and a total of 30,585 carats;
- Mothae recovered a total of 32,884 carats;
- Repatriation of US$7.9 million (A$11.9 million) in capital loan repayments and SML dividends;
- Group is debt free after expunging interest-bearing debt in Q3;
- Mothae set new records for tonnes mined and processed;
- Lulo Kimberlite Exploration program discovered its 15th diamondiferous kimberlite;
- Merlin Diamond Project Feasibility Study pivoted to low-cost, small-scale study option; and
- Nick Selby appointed CEO and MD.

In 2023, Lucapa continued to achieve the growth objectives against its goals:

- Lulo Alluvial Mine achieved 9% higher processing volumes for the year compared to the previous year due to the recent investment in new plant and fleet;
- Mothae set new records for tonnes mined (up 23% yoy) and processed (up 22% yoy) following improvements made to the processing plant in 2022;
- The Lulo Kimberlite Bulk Sampling Program processed a total of 26 samples during the year, or one every two weeks;
- The exploration program identified 6 diamondiferous kimberlites during the year taking the total to 15;
- The Merlin Diamond Project Feasibility Study advanced throughout the year before pivoting the study to focus on a low-cost smaller-scale pathway to development;
- Advanced the exploration projects in Angola, Australia and Botswana;
- Continued to generate additional margins for both operations from the cutting and polishing partnership; and
- Improved safety performance at both operations.

Diamond market

Overall, the diamond market in 2023 could be described as volatile. Macro-economic and geopolitical factors contributed to weakness in diamond prices, especially in the smaller-sized rough diamonds as well as an imbalance between supply and demand. The market for large, high-quality and exceptional rough diamonds felt less price pressure and mainly remained robust. In the retail market, diamond jewellery demand was weak, impacted by inflation especially in the world's largest market, the United States. Strong demand from Chinese consumers failed to materialise during the year, due to a slowing economy, which added to lack of demand.

From October to December, some Indian diamond manufacturers imposed a two-month moratorium on rough diamond purchases in an attempt to bring stability to an oversupplied market.

The G7 Countries (including the European Union) announced in December a ban on Russian diamonds followed by a phase-in of restrictions on the importation of Russian diamonds and diamond jewellery from the beginning of 2024. The sanctions are designed to curb Russia's ability to continue to finance the invasion of Ukraine.

Financial Review

The Group reported a loss after tax of US$17.2 million for the year (2022: US$15.1 million) after recognising a non-cash impairment charge of US$13.4 million in respect of Mothae's Property Plant and Equipment ("Mothae's PPE") and a US$3.5 million unrealized foreign exchange loss on the intergroup loan from Lucapa to Mothae due to the weakening of the South African rand against the United States dollar. The loss after tax for the year attributable to members of the Company amounted to US$9.1 million (2022: US$10.3 million).

Mothae recorded an EBITDA of US$2.9 million for 2023 (2022: a loss of US$1.1 million) due to an improved operational performance during H1 after plant modifications made during the first quarter. Rough diamond revenue per carat sold for the full year was US$775, down from the US$940 achieved for H1 2023. Operating costs were well controlled and the EBITDA per carat sold was US$90 versus a loss of US$35 for 2022.

The impairment charge for Mothae has been estimated following the decrease in the value of diamond recoveries in Q4 and the resulting uncertainties regarding the impact on future cash flows. The Company and mine management are currently exploring options to restore cash operating margins.

SML reported an EBITDA of US$23.6 million for 2023 (2022: US$35.2 million). On a per carat sold basis, rough diamond revenue was US$2,700 (2022: US$ 2,450) and EBITDA was US$825 (2022: US$ 1,082). Operating costs were up due to higher stripping and processing volumes but kept within target for the year.

The Group's equity accounted share of SML's after tax profit was US$4.2 million (2022: US$7.7 million).

The Group results for the year also includes a fair value gain on Lucapa's investment loan with SML of US$1.8 million (2022: US$2.5 million) following the repayments made during the period.

Lucapa received a net dividend of US$1.4 million as well as US$6.5 million investment loan repayments from SML in 2023 and the Group strengthened its balance sheet by making the final instalments due to Equigold and the IDC, leaving the Group debt free, other than for capitalised lease obligations.

As at 31 December 2023 the Group's assets exceeded liabilities by US$71.3 million (2022: US$85.3 million).

Additional performance measures

To enable users of the Financial Report to gain a better insight into the extent and nature of activities of the Group, the following financial disclosures are provided, in addition to the AIFRS requirements:

- a pro-forma Consolidated Statement of Profit & Loss by entity including the full results of SML (refer page 40); and
- a summary of the attributable EBITDA by entity (refer page 41).

Lucapa is extensively involved in the operating activities of SML, have funded the development and has a 40% ownership interest in the mine. It therefore provides useful information to incorporate SML's results on a consolidated basis and providing an alternative view of the make-up of the profit after tax attributable to owners of the Company. Reconciliations have been prepared to the Operating Profit/ Loss per the Consolidated Statement of Profit or Loss.

On the pro-forma consolidated basis as per above, the Group recorded an EBITDA of US$23.4 million (2022: US$31.5 million) for the year and a loss after tax of US$10.9 million (2022: US$3.5 million). Both year's results were impacted by the Mothae impairment. On a per carat sold basis rough diamond revenue increased from US$1,576 in 2022 to US$1,682 for the current year and EBITDA reduced from US$489 to US$384.

The Group recorded an attributable EBITDA of US$8.3 million in 2023 (2022: US$10.8 million). Per carat sold, attributable rough diamond revenue increased from US$1,335 in 2022 to US$1,425 for the current period and EBITDA reduced from US$304 to US$245.

Pro-forma consolidated earnings overview (including SML)

Consolidated Statement of Profit or Loss

	SML		Mothae		Corporate & other		Group		Group*	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	US$000s								A$000s	
Rough revenue & polished margin	78,556	80,999	26,459	22,913	-	-	105,015	103,912	162,986	156,679
Royalty & selling costs	(8,496)	(8,300)	(1,671)	(1,496)	374	332	(9,793)	(9,464)	(15,199)	(14,270)
Operating costs	(46,423)	(37,539)	(21,885)	(22,530)	(3,548)	(2,831)	(71,856)	(62,900)	(111,522)	(94,841)
EBITDA	**23,637**	**35,160**	**2,903**	**(1,113)**	**(3,174)**	**(2,499)**	**23,366**	**31,548**	**36,265**	**47,568**
Depreciation	(8,862)	(8,416)	(4,928)	(4,125)	(913)	(1,017)	(14,703)	(13,558)	(22,819)	(20,443)
Impairment	-	-	(13,370)	(10,608)	-	-	(13,370)	(10,608)	(20,751)	(15,995)
Net finance cost	-	(300)	(7,221)	(5,535)	6,704	3,484	(517)	(2,351)	(802)	(3,545)
Fx & FV adjustments and other	1,787	(1,291)	(3,535)	(3,010)	489	(325)	(1,259)	(4,626)	(1,954)	(6,975)
Profit/ (loss) before income tax	**16,562**	**25,153**	**(26,151)**	**(24,391)**	**3,106**	**(357)**	**(6,483)**	**405**	**(10,061)**	**610**
Income tax expense	(4,243)	(3,523)	-	-	(217)	(464)	(4,460)	(3,987)	(6,922)	(6,012)
Profit/ (loss) after income tax	**12,319**	**21,630**	**(26,151)**	**(24,391)**	**2,889**	**(821)**	**(10,943)**	**(3,582)**	**(16,983)**	**(5,402)**
Attributable to:										
Owners of the Company	4,928	8,652	(18,306)	(17,074)	4,327	(1,880)	(9,051)	(10,302)	(14,047)	(15,533)
Non-controlling interests	7,391	12,978	(7,845)	(7,317)	(1,438)	1,059	(1,892)	6,720	(2,936)	10,132
	12,319	**21,630**	**(26,151)**	**(24,391)**	**2,889**	**(821)**	**(10,943)**	**(3,582)**	**(16,983)**	**(5,402)**
Per carat sold:	US$								A$	
Rough diamond revenue	2,700	2,449	775	690	-	-	1,682	1,576	2,611	2,376
EBITDA	825	1,082	90	(35)	-	-	384	489	597	737

Consolidated EBITDA Reconciliation

	2023	2022
	US$000	
Operating loss as per statement of profit or loss	**(18,855)**	**(15,381)**
Remove equity accounted earnings:		
SML equity accounted income	(4,195)	(7,660)
Add consolidated earnings (100%):		
SML EBITDA	23,637	35,160
Add back non-cash items:		
Foreign exchange translation	3,567	3,679
Mothae & LOM depreciation and impairment	19,212	15,750
Consolidated EBITDA	**23,366**	**31,548**

** Results converted to A$ at an average rate US$: A$ exchange rate for the period of 0.644 (2022:0.663)*

Attributable performance overview

Attributable EBITDA by entity

	SML (40%)		Mothae (70%)		Corporate & other (100%)		Group		Group*	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	US$000s								A$000s	
Rough revenue & polished margin	31,422	32,400	18,522	16,040	-	-	**49,944**	**48,440**	**77,514**	**73,038**
Royalty & selling costs	(3,398)	(3,320)	(1,170)	(1,047)	-	-	**(4,568)**	**(4,367)**	**(7,090)**	**(6,585)**
Operating costs	(18,569)	(15,016)	(15,319)	(15,772)	(3,176)	(2,500)	**(37,064)**	**(33,288)**	**(57,524)**	**(50,192)**
EBITDA	**9,455**	**14,064**	**2,033**	**(779)**	**(3,176)**	**(2,500)**	**8,312**	**10,785**	**12,900**	**16,261**
Per carat sold:	US$								A$	
Rough diamond revenue	2,700	2,450	775	690	-	-	**1,425**	**1,335**	**2,211**	**2,073**
EBITDA	825	1,082	90	(35)	-	-	**245**	**304**	**380**	**459**

Attributable EBITDA Reconciliation

	2023	2022
	US$000	
Operating loss as per statement of profit or loss	**(18,855)**	**(15,381)**
Adjust for non-attributable entries:		
Mothae - 30% minority share	(872)	728
Add back non-cash items:		
Foreign exchange translation	3,567	3,284
Mothae & LOM depreciation and impairment	19,212	15,750
SML depreciation, tax and fair value adjustments	5,260	6,404
Attributable EBITDA	**8,312**	**10,785**

** Results converted to A$ at an average rate US$: A$ exchange rate for the period of 0.644 (2022:0.663)*

Review of Financial Condition

Given the Group's mix of mining, evaluation and exploration assets, and given their various stages of development, the Group may require funding for continued exploration, evaluation, development and/ or mining activities. To the extent that sufficient cash is not generated by the Group's activities or mining operations for the payment of loan, interest and/ or dividends, funding will be required.

As a result of the current global inflationary environment, supply chain constraints and general economic uncertainties, and the potential unknown future impact on the assumptions contained in the Group's cash flow forecasts over the next 12 months, the Directors recognise that the Group may have to source funding solutions in order to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

The ability of the Group to continue to pay its debts as and when they fall due for the 12-month period from the date the financial report is signed is dependent on:

- The Group's staff, operations, partners and the global diamond industry not being adversely impacted by the economic environment or Russia/ Ukraine conflict, thereby impacting key forecast assumptions and scheduled loan, interest and/ or dividend payments;
- The Group, as required, successfully sourcing equity, raising new debt facilities with financiers;
- The Group continuing to achieve success with its exploration and development projects, such as the Lulo kimberlite exploration program in Angola and Merlin mine development in Australia;
- The continued achievement of targeted cash operating margins at SML, restoration of cash operating margins at Mothae and the repeal of the VAT bill by the Lesotho government (refer page 11); and
- The current Mining Investment Contract for the Lulo Kimberlite JV being renewed in 2024.

The Directors believe that the going concern basis is appropriate for the preparation of the financial statements due to the following reasons:

- The diamond market is relatively stable for higher value production despite volatility experienced in the overall market during 2023;
- The book value of the Group's assets exceeds its liabilities by US$71.3 million (post the Mothae impairment charge);
- All approvals for SML to repay Lucapa's alluvial investment loan are in place and are expected to follow directly following SML shareholder approval;
- Lucapa should be able to provide the necessary interim financial support to Mothae whilst it considers opportunities to improve margins and/ or implement alternate strategic options;
- The Group has historically been successful in raising equity for the furtherance of its projects and under ASX Listing Rule 7.1 the Company has the capacity to place securities to raise equity: and
- The Group has historically been successful in raising and restructuring debt facilities.

The above conditions represent a material uncertainty that might cause significant doubt about the ability of the Company to continue as a going concern. Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to recoverability and classification of asset carrying amounts or to amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

Significant Changes in the State of Affairs

General

In 2023, the global diamond market experienced a downturn and volatility. Although the large, high-quality recoveries from both operations achieved decent prices at sale, the smaller, lower quality goods were under price pressure.

Inflation, combined with disappointing prices for lower-quality diamonds impacted margins at both operations. At Mothae, the average price per carat achieved was lower than guidance, however at a Group level, the Company achieved all of its guidance metrics, with Lulo diamonds attracting higher average prices per carat.

Although some stability has returned to the diamond market in 2024, there can be no guarantee that the prices achieved in 2023 will continue in 2024.

Angola

Lulo continued to perform well, with previous year's capital investment continuing to improve efficiencies at the Alluvial Mine. The Kimberlite Bulk Sampling program is now operating continuously and in 2023, diamonds were recovered from more than ten samples. The current Mineral Investment Contract (MIC) for the Kimberlite JV expires in May 2024. The new MIC is nearing completion with Lucapa negotiating for a majority stake in the Joint-Venture.

Lesotho

In 2023, Mothae achieved records in volumes processed and carats recovered following plant upgrades the year prior. However, in the fourth quarter of the year, the quality of the diamonds recovered dropped significantly. There were very few high-quality large Type IIa diamonds recovered, and this challenged the year's overall performance. A review is underway to determine why the diamonds being recovered are below expectations. The passing of the previous Lesotho government's Value Added Tax Amendment Bill which will effectively abolish the 15 percent VAT refund for goods, services and capital items has been paused, however it has still not been repealed.

Australia

NORTHERN TERRITORY

Following the advancement of the Merlin Diamond Project Feasibility Study during the year, the decision was taken to focus the study on a low-cost, smaller-scale pathway to development. The outcome of the study is expected in 2024.

WESTERN AUSTRALIA

Geochemical and heavy mineral samples were taken from Brooking during a 2023 drilling campaign. The results will be interpreted and expected to be released in Q2 2024.

Botswana

Preparations were made for the commencement of exploration drilling at the Orapa Area F project to commence in Q1 2024.

Corporate

The Company completed an unmarketable share parcel sale at 4 cents per share in August 2023. A total of 1,931 shareholders holding 10,216,253 fully paid LOM shares participated in the sale and reduced the Company's shareholder base to 3,352 as at 10 August 2023.

Business Risks

Diamond prices and marketability

The ultimate profitability of the Company's operations will be dependent upon the market price and marketability of diamonds. There is a risk that a profitable market may not exist for the sale of diamonds produced by the Company.

Commodity prices, including diamond prices fluctuate widely and are affected by numerous factors beyond the control of the Company. General economic factors as well as the world supply of mineral commodities in general, the stability of exchange rates and political developments can all cause significant fluctuations in diamond prices. The prices of mineral commodities have fluctuated widely in recent years and future diamond price declines could cause commercial production to be uneconomic, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Moreover, resource and reserve estimates and studies using different diamond prices than the prevailing market price could result in material write-downs of the Company's investment in the assets and even a reassessment of the economic feasibility of the Company's projects which could result in putting one or more projects on care and maintenance and slowing down operations until there is a change in diamond prices. Despite the high quality of the diamond production from the Company's operations, an increase in the acceptance of manufactured (synthetic or lab-grown) gem-quality diamonds for the jewellery industry could negatively affect the market for natural stones.

Sovereign risks

In addition to its activities in Australia, the Company is also involved in operations in Angola, Botswana and Lesotho and may explore other opportunities in other countries in the future.

Whilst the Directors are of the opinion that the democratic and regulatory systems in those countries are relatively stable, the Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors. There can be no assurance that the political environment in these jurisdictions will continue and this could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

The Company's projects and businesses may be adversely impacted by acts of terrorism or war. While the Company will undertake all reasonable due diligence in assessing the risks of terrorism and war in the countries and regions in which it invests, the risks of acts of terrorism and war cannot be fully mitigated.

Other risks and uncertainties include, but are not limited to, high rates of inflation, labour unrest, mass migration, pandemics, shortages of food, water, currency exchange fluctuations, limitations or delays in repatriation of profits, renegotiation or nullification of existing licences, changes in taxation policies, currency controls and regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens, or purchase supplies from, a particular jurisdiction.

The occurrence of any of these risks or any material changes in government policies, attitude or legislation that affect foreign investment, repatriation of foreign currency, taxation or mineral exploration, development or mining activities, may adversely affect the viability and profitability of the Company's assets and operations in Angola, Botswana and Lesotho or other southern African jurisdictions in a highly material manner. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral tenure and development, could result in loss, reduction or expropriation of entitlements.

Industry profitability can be affected by changes in government within Angiola, Botswana, Lesotho, South Africa, Australia and elsewhere, which are not within the control of the Company. The Company's activities are subject to extensive laws and regulations controlling not only the activities of the Company, and the possible effects of those activities on the environment and on the interests of local inhabitants, among other things.

Licences and permits from regulatory authorities are required for many aspects of the Company's activities. There is no guarantee that the required licences in Angola, Botswana, Lesotho or Australia will continue to be extended past the current expiry dates could materially affect the Company's prospects, operations, financial condition and results of operations.

Whilst the Company is satisfied that it has taken reasonable measures to ensure an unencumbered right to explore, develop its licence areas in Angola, Australia, Lesotho and Botswana, some of these countries are subject to greater risks than more developed markets, including significant legal, economic and political risks. Title to mining properties in Angola, Australia, Lesotho and Botswana is subject to potential litigation by third parties claiming an interest in them and the failure to comply with all applicable laws and regulations, including failure to pay taxes, meet minimum expenditure requirements or carry out and report assessment work may invalidate title to mineral rights held by the Company.

Regulatory delays

The business of mineral exploration, project evaluation, development, mining and processing is subject to various national and local laws and plans relating to, amongst others, licencing and maintenance of title; environmental consents;

taxation; employee relations; heritage or historic matters; health and safety; royalties; land acquisition and other matters.

Although the Board believe that the Company is well placed to have all of its licences issued or renewed in relation to its material assets, should the Company identify future development opportunities or operations there is a risk that the necessary concessions, permits, licences, consents, titles, authorisations and agreements to implement planned exploration, project development, or mining may not be obtained or renewed under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

Risks and hazards inherent in exploration, development and mining

Exploration, evaluation, development and mining generally involves a high degree of risk. The Company's operations are and will continue to be subject to all the hazards and risks normally incidental to exploring for, evaluating, developing and mining diamond resources.

Whilst the Company has taken, and will continue to take, all precautions necessary to minimize risk, the Company's operations will be exposed to hazards including, but not limited to: environmental hazards, periodic interruptions due to bad or hazardous weather conditions, unusual or unexpected geology or grade problems, unanticipated changes in the gravels or ore-body characteristics and diamond recovery, difficulties in sourcing, commissioning and operating plant and equipment, mechanical failure or plant breakdown, unexpected shortages, delays or increases in the sourcing or cost of consumables, spare parts, plant and equipment, industrial or labour disputes, seismic activity, flooding, fire, equipment failure, pit wall failure and other conditions involved in the exploration, evaluation, development and mining activities.

Dividends

No dividends were paid or declared by the Company during the current or prior financial year.

Environmental Regulation

The Group's mining and exploration activities are subject to various environmental regulations. The respective Company, subsidiary and associate Boards are responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

The Group is committed to achieving a high standard of environmental performance and conducts its activities in a professional and environmentally conscious manner and in accordance with applicable laws and permit requirements.

The Board believes the Group has adequate systems in place for the management of its environmental requirements and is not aware of any material breach of those environmental requirements as they apply to the projects.

Events Subsequent to Reporting Date

On 25 January, 2024, Lucapa notified shareholders of the proposed share consolidation of 5 shares to 1. If the proposed consolidation is approved by shareholders at the general meeting, the number of ordinary LOM shares on issue will reduce from 1,439,559,875 to 287,911,975.

Likely Developments

The Directors consider the following as a summary of the likely developments and expected results for the next 12 months.

Lulo, Angola

It is expected that Lucapa and its partners will continue alluvial mining and mine development at Lulo in 2024 alongside the alluvial exploration program. Further sales of Lulo diamonds are planned, with more diamonds continuing to be delivered into the cutting & polishing partnership with Safdico.

It is expected the new Mineral Investment Contract for the Project Lulo Kimberlite Exploration JV will be signed with Lucapa to receive a majority stake in the JV.

Mothae, Lesotho

Lucapa and its Lesotho Government partner will review the current marginal performance of the mine. Strategic decisions regarding the future of Mothae will be considered post the review.

Lucapa will continue to build on its marketing activities and cutting and polishing partnership.

Merlin Diamonds, Northern Territory, Australia

The Merlin Feasibility Study detailing the smaller scale low-cost development pathway will be completed and an investment decision will be made. The development of Merlin is dependent on the Company structuring and securing an appropriate funding solution to maximise the benefits for all stakeholders.

Brooking, Western Australia

The Board will decide whether to continue with a program of work following examination of recent sample analysis.

Orapa Area F, Botswana

Exploration drilling at the 100% owned Orapa Area F project in Botswana will be carried out in Q1 2024. A decision will be made to renew the exploration licence in mid-2024.

Directors' Interest

The relevant interest of each Director in the shares and options over such instruments issued by the Company and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Fully paid ordinary shares	Performance rights - various expiry dates (1)
M Kennedy	3,116,819	-
N Selby	2,187,350	7,176,494
R Stanley	87,156,600	-

1 *Performance rights issued following shareholder approval at the annual general meeting held 30 May 2022, subject to various vesting conditions.*

Share Options and Performance Rights

Unissued Shares Under Options and Performance Rights

At the date of this report unissued ordinary shares of the Company under option and performance rights are set out below. These options and performance rights over unissued shares do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Expiry date	Exercise price (A$)	Number of securities	Quoted
Share options			
30 July 2025	$0.08	5,000,000	-
Performance rights			
Various expiry dates (1)	$0.00	62,565,059	-

1 *Performance rights issued following shareholder approval at the annual general meetings held 30 May 2022 and 30 May 2023, subject to various vesting conditions.*

Remuneration Report (Audited)

Principles of Compensation

Key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Group, including Directors of the Company and other Executive management. Currently, KMP comprises the Directors of the Company, the Company Secretary and the Chief Technical Officer, Mr Neil Kaner.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Directors of the Company obtain independent advice on the appropriateness of compensation packages of KMP given trends in comparative companies both locally and internationally, and the objectives of the Group's compensation strategy.

The compensation structures are designed to attract and retain suitably qualified industry experts and candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, equity-based compensation as well as employer contributions to superannuation funds.

Shares, options and performance rights may only be issued to Directors subject to approval by shareholders at a general meeting.

Fixed Compensation

Fixed compensation consists of base compensation, determined from a market review, to reflect core performance requirements and expectations of the relevant position and statutory employer contributions to superannuation funds. Compensation levels are generally reviewed annually by the Board through a process that considers individual, segment, comparable peers and overall performance of the Group.

Directors' Fees

Total compensation for Directors is set based on advice from external advisors with reference to fees paid to other Directors of comparable companies. Non-Executive Directors' fees are presently limited to an aggregate total of US$500,000 per annum, excluding the fair value of any options or performance rights granted. Directors' fees cover all main Board activities and membership of any committee and subsidiary Boards. The Board has no established retirement (other than superannuation) or redundancy schemes in relation to Directors. The Directors' contracts contain a service bonus in the event of a takeover or change of control, subject to shareholder approval where required.

Use of Remuneration Consultants

The Board has previously engaged an independent remuneration consultant, BDO Reward WA Pty Limited (BDO) to review the pay and rewards for Directors and senior executives including independent benchmarking as the Company continues to maximise operating performance from its existing mines and exploration programs and moves toward the development of the Merlin Project in the Northern Territory, Australia.

The recommendations were incorporated into the Group's Incentive and Retention Plan (Plan), which was approved by shareholders at the annual general meeting held on 30 May 2022.

Equity-based Compensation

The purpose of the Plan is to assist in the incentivisation, reward and retention of Directors and management, align their interests with those of the shareholders of the Company and to focus on the Company's development strategy through the award of equity-based incentives in the form of options or performance rights.

Short-term and Long-term Incentive Structure and Consequences of Performance on Shareholder Wealth

Given the Group's principal activities during the course of the financial period consisting of exploration, evaluation, development and mining of mineral resources, successful expansion and acquisition workstreams, the Board has for 2023 given significance to service criteria, performance criteria and overall market related criteria in setting the Group's incentive and retention schemes.

The Board does not consider the Group's earnings to be the only appropriate key performance indicator for setting remuneration packages. In addition, the issue of options and performance rights as part of the remuneration package of Directors, management, employees and contractors is an established practice for listed exploration, development and mining companies and has the benefit of conserving cash whilst appropriately rewarding and retaining the recipient.

In circumstances where cash flow permits, the Board may approve the payment of a discretionary cash bonus as a reward for performance.

In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in the Company's share price are also considered.

The Board currently monitors and reviews the remuneration level and policy of the Group as the Company does not have a Remuneration Committee given the size of the Board. However it is intended that a Remuneration Committee will be established comprised by a majority of independent Directors as the Company transitions to become a mid-tier producer and explorer.

Remuneration Outcomes (FY23)

The Board believes that the current remuneration framework is appropriate and fit-for-purpose based on the Company's development and growth profile and to drive and deliver the outcomes desired by all shareholders.

The FY23 framework for STI's in the form of cash and equity and LTI's in the form of equity, were to be measured against the Company's relevant targets and individual key performance indicators (KPI's) in FY23 such as:

STI's

- Company Targets
  - Production
  - Operating and Capital Expenditures
  - ESG/ Safety
  - Exploration
- Individual KPI's for participants in the Incentive Plan

LTI's

- Absolute Shareholder return

A Performance Right is exercisable, at no cost, on satisfaction of relevant performance hurdles, into a Share. The Performance Rights proposed to be granted to the Executive Directors will vest based on the achievement of short term, project based and long-term incentive performance hurdles respectively and as a key staff retention mechanism, employment with the Company at time of vesting.

Details for the remuneration outcomes for the year ended 31 December 2023 are summarised below.

EXECUTIVE FIXED REMUNERATION

In FY23, Mr Selby's total annual fixed remuneration was adjusted for inflation and for his appointment as Managing Director/ Chief Executive Officer to A$595,000 and former Managing Director/ Chief Executive Officer Mr Wetherall's total annual fixed remuneration was adjusted for the increased superannuation guarantee to A$717,851.

EXECUTIVE INCENTIVES

Short-term incentives (STI)

The Company's STI framework was established in FY22 following the recommendations from BDO whereby performance measures set for the KMP and key staff based upon the Company's relevant targets for the year in relation to production, operating & capital expenditure, ESG/safety and exploration, together with personal performance indicators (KPIs). STI's for FY23 consist of equity-based incentives in the form of performance rights (67%) and cash bonuses (33%). Performance rights were planned to be issued to Mr Selby (4,410,998) and Mr Wetherall (7,557,780) and included for shareholder approval in the notice of meeting for the Company's AGM on 30 May 2023. However, the relevant resolutions were withdrawn before the meeting at the request of Mr Selby and Mr Wetherall and STI performance rights were only issued to key staff in FY23. Ninety-four and a half percent of the STI measures were achieved in FY23 and a cash bonus was awarded to executive director Mr Selby (A$84,911) and to key staff. In addition, a discretionary bonus of A$167,618 was awarded by the Board to Mr Selby following his appointment as

Managing Director/ Chief Executive Officer and in lieu of the withdrawn performance rights.

The results of the FY23 STI incentive are as follows:

Milestones	% weighting	% of target achieved	Vesting %	Final award %
Production (carats)	**17.5%**			
- SML	*8.8%*	98.7%	100.0%	8.8%
- Mothae	*8.8%*	111.5%	100.0%	8.8%
Operating expenditure	**8.8%**			
- SML	*4.4%*	84.8%	100.0%	4.4%
- Mothae	*4.4%*	94.2%	100.0%	4.4%
Capital expenditure	**8.8%**			
- SML	*4.4%*	82.1%	100.0%	4.4%
- Mothae	*4.4%*	34.4%	100.0%	4.4%
ESG	**17.5%**			
Social - ESG plan				
- SML	*2.2%*		100%	2.2%
- Mothae	*2.2%*		100%	2.2%
Environmental - zero major incidents				
- SML	*2.2%*		100%	2.2%
- Mothae	*2.2%*		100%	2.2%
Safety - LTIFR				
- SML	*2.9%*		100%	2.9%
- Mothae	*2.9%*		100%	2.9%
- Brooking, Merlin & Corporate	*2.9%*		100%	2.9%
Exploration plans	**17.5%**			
- Lulo	*8.8%*		100%	8.8%
- Merlin	*4.4%*		0%	0.0%
- Brooking	*4.4%*		100%	4.4%
Total Company Targets	**70.0%**			**65.6%**
Personal KPIs	*30%*		96%	28.9%
	100%			**94.5%**

Long-term incentives (LTI)

Performance rights with various vesting conditions and performance milestones relating to the Company's Absolute Shareholder Return, were planned to be issued to Mr Selby (3,950,147) and Mr Wetherall (7,520,179) and included for shareholder approval in the notice of meeting for the Company's AGM on 30 May 2023. However, the relevant resolutions were withdrawn before the meeting at the request of Mr Selby and Mr Wetherall and LTI performance rights were only issued to key staff in FY23.

NON-EXECUTIVE DIRECTOR REMUNERATION

In FY23 Mr Kennedy and Mr Stanley's total fixed remuneration was adjusted for inflation to A$208,435 and A$127,827 respectively.

Service contracts (as at the date of these financial statements)

NICK SELBY

Mr Selby has been engaged to act as the Company's Managing Director/ Chief Executive Officer. Mr Selby is entitled to receive remuneration of A$595,000 (gross, including superannuation) per annum which is subject to review by the Board from time to time. He will be eligible to participate in any future incentive and retention plans implemented by the Board. Shareholder approval will be sought for his participation in any incentive plan involving equity of the Company. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders.

MILES KENNEDY

Mr Kennedy has been engaged to act as the Company's non-executive Chairman. Mr Kennedy is entitled to receive Director fees of A$208,435 (gross) per annum, which is subject to review by the Board from time to time. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders. Mr Kennedy is entitled to be reimbursed all his travel, accommodation, food and other expenses in the conduct of his role as non-executive Chairman of the Company and to a rate of A$500 a day in respect of each day worked by him in excess of 4 days in any calendar month.

ROSS STANLEY

Mr Stanley has been engaged to act as a non-executive Director of the Company. Mr Stanley is entitled to receive Director fees of A$127,827 (gross) per annum, which is subject to review by the Board from time to time. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders.

KMP Remuneration

Details of the nature and amount of each major element of remuneration (in USD) of each KMP of the Company are:

Key management personnel	Period ended	Short-term benefits		Post employment benefits	Equity-settled share based payments	Total (US$)
		Salary & fees	Bonus	Superannuation benefits	Options and performance rights[1]	
Executive Directors						
Nick Selby, Chief Executive Officer/ Managing Director	Dec 23	333,537	166,614	18,144	105,996	**624,291**
Chief Operating Officer/ Executive Director until 31 July 2023	Dec 22	324,648	41,050	19,092	9,597	**394,387**
Stephen Wetherall, former Chief Executive Officer/ Managing Director	Dec 23	527,649	-	15,120	81,657	**624,425**
resigned 31 July 2023	Dec 22	462,837	70,330	19,092	17,700	**569,959**
Non-Executive Directors						
Miles Kennedy, Non-Executive Chairman	Dec 23	114,575	-	18,144	-	**132,719**
	Dec 22	111,798	-	14,950	-	**126,748**
Ross Stanley, Non-Executive Director	Dec 23	73,478	-	7,905	-	**81,384**
	Dec 22	71,741	-	7,361	-	**79,102**
Other Key Management Personnel						
Neil Kaner, Chief Technical Officer	Dec 23	276,275	47,389	18,144	111,590	**453,398**
	Dec 22	273,661	35,445	19,092	8,179	**336,377**
Mark Clements, Company Secretary	Dec 23	65,467	10,329	-	25,473	**101,269**
	Dec 22	63,147	8,179	-	1,887	**73,213**
Total	**Dec 23**	**1,390,981**	**224,332**	**77,456**	**324,716**	**2,017,485**
	Dec 22	**1,307,832**	**155,004**	**79,587**	**37,363**	**1,579,786**

Equity Investments

All options refer to options and performance rights over ordinary shares of the Company, which are exercisable on a one-for-one basis.

Analysis of movements in options, performance rights and shares

OPTIONS AND PERFORMATION RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period in the number of options and performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 January	Options acquired	Exercise of options and performance rights	Expired without exercise	Options and performance rights granted	Held at 31 December or date of resignation	Vested & exercisable
2023							
Directors							
M Kennedy	-	-	-	-	-	-	-
N Selby	7,644,300	-	-	(467,806)	-	**7,176,494**	1,200,494
R Stanley	-	-	-	-	-	-	-
S Wetherall [1]	14,234,220	-	-	(9,333,469)	-	**4,900,751**	4,900,751
Other Key Management Personnel							
N Kaner	6,600,546	-	-	(403,931)	4,195,278	**10,391,893**	1,036,579
M Clements	1,523,104	-	-	(93,209)	900,113	**2,330,008**	239,195
2022							
Directors							
M Kennedy	525,026	-	-	(525,026)	-	**-**	-
S Wetherall	445,850	-	-	(445,850)	14,234,220	**14,234,220**	-
N Selby	297,892	-	-	(297,892)	7,644,300	**7,644,300**	-
R Stanley	9,287,683	-	-	(9,287,683)	-	**-**	-
Other Key Management Personnel							
N Kaner	597,317	-	-	(597,317)	6,600,546	**6,600,546**	-
M Clements	163,303	-	-	(163,303)	1,523,104	**1,523,104**	-

1 *Resigned 31 July 2023.*

MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Directors	Held at 1 January	Received upon exercise of options and performance rights	Sales	Purchases	Held at 31 December or date of resignation
2023					
Directors					
M Kennedy	3,116,819	-	-	-	**3,116,819**
N Selby	2,187,350	-	-	-	**2,187,350**
R Stanley	80,940,347	-	-	6,216,253	**87,156,600**
S Wetherall [1]	4,425,100	-	-	-	**4,425,100**
Other Key Management Personnel					
N Kaner	3,583,900	-	-	-	**3,583,900**
M Clements	1,159,817	-	-	-	**1,159,817**
2022					
Directors					
M Kennedy	3,116,819	-	-	-	**3,116,819**
S Wetherall	4,425,100	-	-	-	**4,425,100**
N Selby	2,187,350	-	-	-	**2,187,350**
R Stanley	67,607,014	-	-	13,333,333	**80,940,347**
Other Key Management Personnel					
N Kaner	3,583,900	-	-	-	**3,583,900**
M Clements	1,159,817	-	-	-	**1,159,817**

1 *Resigned 31 July 2023.*

No shares were granted to KMP during the reporting period as compensation in 2023 or 2022.

End of audited section.

Indemnification and Insurance of Officers and Directors

The Company has entered into deeds of indemnity, insurance and access ("Deeds") with each of its Directors. Under these Deeds, the Company indemnifies each Director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties and in successfully defending legal and administrative proceedings and applications for such proceedings. The Company must use its best endeavours to insure a Director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavour to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has, during and since the end of the year, in respect of any person who is an officer of the Company or a related body corporate, paid a premium in respect of Directors and Officer liability insurance which indemnifies Directors, officers and the Company of any claims made against the Directors, officers of the Company and the Company, subject to conditions contained in the insurance policy. The Directors have not included details of the premium paid in respect of the Directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not entered into any agreement to indemnify the auditors against any claims by third parties arising from their reports on the financial report for the year ended 31 December 2023 and prior period ended 31 December 2022.

Auditor Independence and Non-Audit Services

The Directors received the following declaration from the Company's auditors, Elderton Audit Pty Ltd:

ELDERTON
AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited

As auditor for the audit of Lucapa Diamond Company Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lucapa Diamond Company Limited and the entities it controlled during the year.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Sajjad Cheema

Director

28 February 2024

Perth

During the period Elderton Audit Pty Ltd have not performed any other services for the Company in addition to their statutory audit and as a result the Directors are satisfied that auditors have not compromised the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the current auditor of the Company, Elderton Audit Pty Ltd are set out below:

	31 Dec 2023	31 Dec 2022
	US$	
Audit services	40,027	39,652
Other services	-	-
	40,027	**39,652**

Signed in accordance with a resolution of the Directors, on behalf of the Directors.

MILES KENNEDY

Chairman

Dated this 28th FEBRUARY 2024

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

FOR YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023	31 Dec 2022
		US$000	
Revenue	3	27,999	23,350
Cost of sales	4	(27,962)	(26,977)
Gross profit/ (loss)		37	(3,627)
Impairment charge	4	(13,370)	(10,608)
Gross loss after impairment		**(13,333)**	**(14,235)**
Share of profit of associate	11	4,195	7,660
Royalties and selling expenses		(1,297)	(1,164)
Corporate expenses	4	(3,824)	(3,692)
Share-based payments	13	(741)	(70)
Foreign exchange loss		(3,855)	(3,880)
Operating loss		**(18,855)**	**(15,381)**
Finance cost		(534)	(2,063)
Finance income		17	12
Fair value adjustments	8	2,354	2,822
Loss before income tax		**(17,018)**	**(14,610)**
Income tax expense	6	(217)	(464)
Loss after income tax		**(17,235)**	**(15,074)**
Attributable to:			
Owners of the Company		(9,051)	(10,302)
Non-controlling interests		(8,184)	(4,772)
		(17,235)	**(15,074)**
Earnings per share		**Cents**	**Cents**
Basic loss per share	7	(0.63)	(0.73)
Diluted loss per share	7	(0.60)	(0.73)

The Consolidated Statement of Profit or Loss is to be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

FOR YEAR ENDED 31 DECEMBER 2023

	31 Dec 2023	31 Dec 2022
	US$000	
Loss for the period	(17,235)	(15,074)
Other comprehensive income	2,471	1,609
Total comprehensive loss for the year	**(14,764)**	**(13,465)**
Attributable to:		
Owners of the Company	(7,323)	(9,236)
Non-controlling interests	(7,441)	(4,229)
	(14,764)	**(13,465)**

The Consolidated Statement of Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	Note	31 Dec 2023	31 Dec 2022
		US$000	
Assets			
Cash and cash equivalents	8a	1,317	6,905
Trade and other receivables	8b	2,466	2,412
Contract assets		833	-
Inventories	9	2,351	2,359
Other current financial assets	8c	3,923	4,000
Total current assets		**10,890**	**15,676**
Property plant and equipment	10	51,863	63,110
Non-current financial assets	8c	699	7,497
Investment in associate	11	18,281	15,686
Total non-current assets		**70,843**	**86,293**
Total assets		**81,733**	**101,969**
Liabilities			
Trade and other payables	8d	8,231	7,881
Current borrowings	8e	235	6,393
Total current liabilities		**8,466**	**14,274**
Non-current provisions	12	1,956	2,329
Non-current borrowings	8e	-	33
Deferred tax liabilities	6	26	26
Total non-current liabilities		**1,982**	**2,388**
Total liabilities		**10,448**	**16,662**
Net assets		**71,285**	**85,307**
Equity			
Share capital	13	154,230	154,230
Reserves		(1,344)	(3,798)
Accumulated losses		(64,164)	(55,129)
Equity attributable to owners of the Company		**88,722**	**95,303**
Non-controlling interests		(17,437)	(9,996)
Total equity		**71,285**	**85,307**

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR YEAR ENDED 31 DECEMBER 2023

	Note	Issued capital	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
					US$000			
Balance at 1 January 2022		145,542	250	(5,022)	(44,837)	95,933	(5,767)	90,166
Comprehensive income for the period								
Loss for the period		-	-	-	(10,302)	(10,302)	(4,772)	(15,074)
Other comprehensive income		-	-	1,066	-	1,066	543	1,609
Total comprehensive income/ (loss) for the period		**-**	**-**	**1,066**	**(10,302)**	**(9,236)**	**(4,229)**	**(13,465)**
Transactions with owners, in their capacity as owners								
Issue of share capital		9,056	-	-	-	9,056	-	9,056
Issue of options	13	-	70	-	-	70	-	70
Expiry of options		-	(162)	-	10	(152)	-	(152)
Transfer of reserves on exercise of options		4	-	-	-	4	-	4
Share issue expenses		(372)	-	-	-	(372)	-	(372)
Total transactions with owners		**8,688**	**(92)**	**-**	**10**	**8,606**	**-**	**8,606**
Balance at 1 January 2023		**154,230**	**158**	**(3,956)**	**(55,129)**	**95,303**	**(9,996)**	**85,307**
Comprehensive income for the period								
Profit/ (loss) for the period		-	-	-	(9,051)	(9,051)	(8,184)	(17,235)
Other comprehensive income		-	-	1,728	-	1,728	743	2,471
Total comprehensive income/ (loss) for the period		**-**	**-**	**1,728**	**(9,051)**	**(7,323)**	**(7,441)**	**(14,764)**
Transactions with owners, in their capacity as owners								
Issue of options	13	-	742	-	-	742	-	742
Expiry of options		-	(16)	-	16	-	-	-
Total transactions with owners		**-**	**726**	**-**	**16**	**742**	**-**	**742**
Balance at 31 December 2023		**154,230**	**884**	**(2,228)**	**(64,164)**	**88,722**	**(17,437)**	**71,285**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023	31 Dec 2022
		US$000	
Cash flows from operating activities			
Receipts from products and related debtors		24,817	22,669
Cash paid to suppliers and employees		(26,739)	(24,350)
Interest and finance cost		(997)	(1,907)
Interest received		17	13
Net cash used in operating activities		**(2,902)**	**(3,575)**
Cash flows from investing activities			
Payments for exploration costs		(1,031)	(3,356)
Payments for development		(3,345)	(3,689)
Dividend and receivable proceeds from associate		7,875	15,818
Payments for property plant and equipment		(692)	(1,097)
Net cash generated from investing activities		**2,807**	**7,676**
Cash flows from financing activities			
Proceeds from issue of share capital		-	9,060
Share issue costs		-	(584)
Repayment of borrowings		(5,463)	(12,872)
Net cash used in financing activities		**(5,463)**	**(4,396)**
Net decrease in cash and cash equivalents		**(5,558)**	**(295)**
Cash and cash equivalents at beginning of period		6,905	7,366
Exchange loss on foreign cash balances		(30)	(166)
Cash and cash equivalents at end of period	*8a*	**1,317**	**6,905**
Reconciliation of loss after tax to cash flows from operations:			
Loss for the period		(17,235)	(15,074)
Adjustments for:			
Depreciation expense		5,841	5,142
Loss on disposal of assets		1	131
Impairment	*10*	13,370	10,608
Director and employee options	*4*	741	70
Exchange gains		29	165
Interest and other finance costs paid		(463)	916
Fair value loss on financial assets		(2,354)	(2,822)
Share of loss/ (profit) of associate		(4,195)	(7,660)
Other non cash items		(867)	(1,368)
Working Capital adjustments:			
Change in inventory		6	725
Change in trade and other receivables		(844)	(3)
Change in trade and other payables relating to operating activities		3,068	5,595
Net cash used in operating activities		**(2,902)**	**(3,575)**

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Basis of Preparation

Corporate Information

Lucapa Diamond Company Limited ("Lucapa" or "the Company") is a company domiciled and incorporated in Australia. The address of the Company's registered office is 34 Bagot Road, Subiaco WA 6008. The Company, its subsidiaries and associates (collectively "the Group") are primarily involved in the exploration, evaluation, development and mining on diamond projects in Africa and Australia.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The basis of preparation of the financial report is set out below and in the notes to the consolidated financial statements. The financial statements were authorised for issue by the Board of Directors on the date of the Directors' report.

Basis of measurement

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of current liabilities in the ordinary course of business.

Going concern

As detailed in the Directors' report, the Group recorded an Attributable EBITDA of US$8.3 million (2022: US$10.7 million) and a loss after tax of US$17.2 million in 2023, (2022: US$15.1 million). The results include, amongst others, the non-cash impairment charge of US$13.4 million in respect of Mothae's PPE and a US$3.5 million unrealised foreign exchange loss on the intergroup loan from Lucapa to Mothae due to the weakening of the South African rand against the United States dollar.

Mothae's results for the year was affected by the low value of diamond recoveries in Q4. SML reported another strong year with results in line with expectations and generated sufficient cash flow for the payment of a US$7.8 million dividend and alluvial investment loan repayments to Lucapa during the year.

The Group strengthened its balance sheet during the year by making the final instalments due to Equigold and the IDC, leaving the Group debt free, other than for capitalised lease obligations.

As at 31 December 2023, after taking into account the Mothae non-cash impairment charge of US$13.4 million, the Group's assets exceeded liabilities by US$71.3 million (2022: US$85.3 million).

Despite current slowing economic conditions, the Directors believe that the going concern basis is appropriate for the following reasons:

- The diamond market is relatively stable for higher value production despite volatility experienced in the overall market during 2023;
- The book value of the Group's assets exceeds its liabilities by US$71.3 million (post the Mothae impairment charge);
- All approvals for SML to repay Lucapa's alluvial investment loan are in place and are expected to follow directly following SML shareholder approval;
- Lucapa should be able to provide the necessary interim financial support to Mothae whilst it considers opportunities to improve margins and/ or implement alternate strategic options;
- The Group has historically been successful in raising equity for the furtherance of its projects and under ASX Listing Rule 7.1 the Company has the capacity to place securities to raise equity: and
- The Group has historically been successful in raising and restructuring debt facilities;

Basis of Preparation (continued)

Going concern (continued)

The above conditions represent a material uncertainty that might cause significant doubt about the ability of the Company to continue as a going concern. Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to recoverability and classification of asset carrying amounts or to amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

Notes to the Consolidated Financial Statements

2. Segment Reporting

Financial Overview

		Exploration & Evaluation			Mining			Corporate & other	Total
		Angola	Botswana	Australia	Angola	Australia	Lesotho	Australia	
					US$000				
Period ended 31 December 2023	**Profit or loss**								
	External revenue	-	-	-	-	-	27,999	-	**27,999**
	Inter-segment	-	-	-	-	-	-	-	**-**
	Total revenue	**-**	**-**	**-**	**-**	**-**	**27,999**	**-**	**27,999**
	Depreciation	-	-	-	148	-	4,928	765	**5,841**
	Share-based payments	-	-	-	-	-	-	741	**741**
	Segment operating profit/ (loss)	-	-	-	4,047	-	(20,061)	(2,841)	**(18,855)**
	Net finance (costs)/ income	-	-	-	-	-	(7,221)	6,704	**(517)**
	Impairment loss	-	-	-	-	-	(13,370)	-	**(13,370)**
	Profit/ (loss) before income tax	-	-	-	4,550	-	(27,282)	5,714	**(17,018)**
	Other segment information								
	Capital expenditure	4,036	45	140	-	3,240	2,416	5	**9,882**
As at 31 December 2023	**Assets and liabilities**								
	Segment assets	31,428	225	2,257	22,914	15,601	7,754	1,554	**81,733**
	Segment liabilities	-	-	-	-	658	8,797	993	**10,448**
	Inter-segment loans	-	228	2,387	-	14,943	56,844	(74,402)	**-**
Period ended 31 December 2022	**Profit or loss**								
	External revenue	-	-	-	-	-	23,350	-	**23,350**
	Inter-segment	-	-	-	-	-	-	-	**-**
	Total revenue	**-**	**-**	**-**	**-**	**-**	**23,350**	**-**	**23,350**
	Depreciation	-	-	-	156	-	4,879	107	**5,142**
	Share-based payments	-	-	-	-	-	-	-	**-**
	Segment operating profit/ (loss)	-	-	-	7,660	-	(18,856)	(4,185)	**(15,381)**
	Net finance (costs)/ income	-	-	-	-	-	(5,535)	3,484	**(2,051)**
	Impairment loss	-	-	-	-	-	10,608	-	**10,608**
	Profit/ (loss) before income tax	-	-	-	10,141	-	(24,391)	(360)	**(14,610)**
	Other segment information								
	Capital expenditure	4,595	21	119	-	3,304	2,309	9	**10,357**
As at 31 December 2022	**Assets and liabilities**								
	Segment assets	27,392	182	2,115	27,356	12,284	25,863	6,777	**101,969**
	Segment liabilities	-	-	-	-	753	10,681	5,228	**16,662**
	Inter-segment loans	-	176	2,246	-	11,530	48,878	(62,830)	**-**

Notes to the Consolidated Financial Statements

Segment Reporting (continued)

Additional Information

The Group engages in business activities within the following business segments:

- exploration & evaluation projects in Angola, Botswana and Australia;
- mining in Angola and Lesotho and mine development in Australia; and
- corporate and other administrative functions in Western Australia to support and promote its activities.

The Group's operating segments are managed by geographical region as the risks and required rates of returns are largely affected by differences in the regions in which they operate.

Accounting policy

Segment disclosures are based on information that is provided to the Board of Directors, which is the Group's chief decision-making body.

An operating segment is a component of the Group that engages in business activities from which it may expend capital and generate revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results, for which discrete financial information is available, are reviewed by the Group's Managing Director and management to assess their performance and make decisions with respect to the allocation of resources to that segment.

Notes to the Consolidated Financial Statements

3. Revenue

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Revenue from contracts with customers		
Sale of goods	27,999	23,350
	27,999	**23,350**

Additional information

The Group's revenue arises from the sale of rough diamonds and from cutting and polishing of diamonds.

Accounting policy

To determine whether to recognise revenue, the following 5-step process is followed:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when/ as performance obligation(s) are satisfied.

The transaction price is the amount to which the Group expects to be entitled to in exchange for the transfer of goods and services and is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from the sale of rough diamonds is recognised on a point in time basis.

Revenue from cutting and polishing partnerships:

- is considered to be variable consideration and is recognised to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been resolved. This is generally the case when cutting and polishing work has substantially been completed and relative certainty exists over the quality of the final product or when the polished diamonds have been sold;
- is recognised once a high level of certainty exists regarding factors that influence the sale prices including the size, quality and colour of the final polished diamonds. These factors are considered per individual stone.

If the Group satisfies a performance obligation before it receives the consideration, either a contract asset or a receivable is recognised in the statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Notes to the Consolidated Financial Statements

4. Expenses

Financial Overview

	Note	31 Dec 2023	31 Dec 2022
		US$000	
Breakdown of expenses by nature			
Raw materials, consumables and other input costs		17,720	16,657
Changes in inventories of finished goods and work in progress		(358)	370
Employee benefits expenses (excluding share based payments)		7,435	7,255
Depreciation and amortisation		5,842	5,142
Impairment charge	10	13,370	10,608
Auditors remuneration		50	51
Mining and short term leases		254	221
Consulting fees and other administrative expenses		843	973
Total expenses		**45,156**	**41,277**
Breakdown of expenses by function			
Cost of sales		27,962	26,977
Impairment charge		13,370	10,608
Corporate expenses		3,824	3,692
Total expenses		**45,156**	**41,277**
Employee benefits expenses			
Wages, salaries and director remuneration		7,259	6,960
Superannuation costs		116	109
Share-based payments	13	741	70
Other associated employee expenses		60	186
		8,176	**7,325**
Auditors remuneration			
Elderton Pty Ltd (Auditors of parent company & consolidation)			
Audit services		40	40
Other services		-	-
		40	**40**
Other group auditors (for subsidiary companies)			
Audit services		10	11
Other services		-	-
		10	**11**
		50	**51**

Accounting policy

Expenses recognised in profit or loss are classified and presented on a functional basis.

Notes to the Consolidated Financial Statements

Expenses (continued)

Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

LONG-TERM EMPLOYEE BENEFITS

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs: that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Share based payments

Refer note 13.

Notes to the Consolidated Financial Statements

5. Finance Cost and Income

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Finance cost		
Finance cost on borrowings	279	1,864
Interest expense on lease labilities	88	74
Unwinding of discount rate on rehabilitation liability	167	125
	534	**2,063**
Finance income		
Interest income on bank deposits	17	12
	17	**12**
Net finance cost on financial instruments	**517**	2,051

Accounting policy

Finance income and expenses comprises interest income on funds invested, interest expense on borrowings calculated using the effective interest method and unwinding of discounts on provisions.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method. All borrowing costs are recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Exchange differences arising from foreign currency borrowings used to acquire qualifying assets are regarded as an adjustment to the interest cost and included in the capitalised amount. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Notes to the Consolidated Financial Statements

6. Income Tax

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Current tax expense		
Current income tax charge	217	464
Current income tax adjustments relating to prior years	-	-
Deferred tax expense		
Relating to origination and reversal of temporary differences	-	-
Total income tax expense	**217**	**464**
by Australia's domestic tax rate		
Net loss before tax	(17,018)	(14,610)
Income tax benefit using the Australian domestic tax rate of 30%	(5,105)	(4,383)
Increase in income tax due to tax effect of:		
Non-deductible expenses	481	2,386
Tax rate differential on foreign income	1,313	610
Net current year tax losses not recognised	2,325	3,031
Foreign taxes paid	217	464
Derecognition of previously recognised tax losses	4,209	3,083
Decrease in income tax expense due to:		
Non-assessable income	(608)	(1,182)
Share of profit of associate	(1,259)	(2,298)
Impact of movement in unrecognised temporary differences	(446)	(1,010)
Utilisation of previously unrecognised tax losses	(879)	(198)
Deductible equity raising costs	(31)	(39)
Income tax expense	**217**	**464**
Recognised deferred tax assets and liabilities		
Recognised deferred tax assets		
Tax losses	638	4,847
Accruals & provisions	565	640
	1,203	**5,487**
Less: Set off of deferred tax liabilities	(1,203)	(5,487)
Net deferred tax assets	**-**	**-**
Recognised deferred tax liabilities		
Property plant and equipment	(627)	(5,071)
Other	(602)	(442)
	(1,229)	**(5,513)**
Less: Set off of deferred tax assets	1,203	5,487
Net deferred tax liabilities	**(26)**	**(26)**
Deferred tax assets not recognised		
Tax revenue losses	20,028	17,698
Tax capital losses	4,501	4,506
Deductible temporary differences	16,233	3,220
	40,762	**25,424**

Notes to the Consolidated Financial Statements

Income Tax (continued)

Additional information

The estimated tax losses above may be available to be offset against taxable income in future years. The availability of these losses is subject to satisfying taxation legislative requirements. The deferred tax asset attributable to tax losses has not been brought to account in these financial statements because the Directors believe it is not presently appropriate to regard realisation of the future income tax benefits as probable.

Accounting policy

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit/ (loss) for the period. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date for each jurisdiction.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit/ (loss) and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit/ (loss) nor the accounting profit/ (loss).

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Notes to the Consolidated Financial Statements

7. Earnings per Share

Financial Overview

	31 Dec 2023	31 Dec 2022
	Cents	Cents
Basic loss per share	(0.63)	(0.73)
Diluted loss per share	(0.60)	(0.73)
	US$000	US$000
Loss used in calculating earnings per share		
Attributable to members of the Company used in calculating:		
- basic earnings per share	(9,051)	(10,302)
- diluted earnings per share	(9,051)	(10,302)
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the period used in calculation of:		
- basic earnings per share	1,439,559,875	1,404,558,518
- diluted earnings per share	1,497,589,836	1,406,888,388

Accounting Policy

Basic earnings/ (loss) per share is calculated by dividing the net profit/ (loss) attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares of the Company during the period. Diluted earnings/ (loss) per share is determined by adjusting the net profit/ (loss) attributable to the ordinary shareholders and the number of shares outstanding for the effects of all dilutive potential shares, which comprise share options.

Notes to the Consolidated Financial Statements

8. Financial Instruments and Financial Risk Management

Financial Overview

	Note	31 Dec 2023	31 Dec 2022
		US$000	
Summary of carrying value of financial instruments			
Financial assets			
Cash and cash equivalents	8a	1,317	6,905
Trade and other receivables	8b	2,466	2,412
Other current financial assets	8c	3,923	4,000
Non-current financial assets	8c	699	7,497
		8,405	**20,814**
Financial liabilities			
Trade and other payables	8d	8,231	7,881
Current borrowings	8e	235	6,393
Non-current borrowings	8e	-	33
		8,466	**14,307**
Summary of amounts recognised in profit or loss			
Fair value adjustments			
Gain in respect of the alluvial project receivable		1,832	2,481
Gain on borrowing embedded derivatives		522	341
		2,354	**2,822**
Foreign exchange loss			
On revaluation of intergroup loans		(3,535)	(3,010)
On other financial instruments		(320)	(870)
		(3,855)	**(3,880)**
Net finance cost/ (income) on financial instruments	5	517	2,051

Additional information

Financial risk management

The Group has exposure to market, credit and liquidity risks from the use of financial instruments. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

MARKET RISK

COMMODITY PRICE RISK

The Group is focussed on its diamond mining and exploration interests in Africa and Australia. Accordingly, the Group is exposed to the global pricing structures of the diamond market.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Australian dollar, South African rand and Angolan kwanza. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are not in the individual business unit's functional currency. The Group manages its foreign exchange risk by monitoring its net exposures, maintaining an appropriate balance between foreign currency assets and liabilities and making use of hedging instruments. The Group does not speculate with the use of hedging instruments and derivatives. The extent of the Group's exposure to foreign currency risk at balance date is disclosed below for each category of financial instrument.

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not currently use derivatives to mitigate these exposures. The extent of the Group's exposure to interest rate risk at balance date is disclosed below for each category of financial instrument.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's potential concentration of credit risk mainly relates to amounts advanced to SML (Note 7c). The Group's short-term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by their carrying values as at the balance sheet date.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves, or from funds raised in the market, or by debt and by continuously monitoring forecast and actual cash flows. The liquidity profile of the Group's financial liabilities are disclosed in the relevant notes below.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, raise debt finance or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and debt finance to fund exploration, mine development, evaluation activities and corporate overhead.

Fair value hierarchy

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed below.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

The financial assets and liabilities are classified as follows in terms of the fair value hierarchy:

- the SML receivable (Note 7c): level 3 due to the use of unobservable inputs;
- the Equigold embedded derivative: level 3 due to the use of market based and observable inputs; and
- other financial assets and liabilities approximate their net fair value, determined in accordance with the accounting policies.

Accounting policy

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the Group are classified into either the amortised cost or fair value through profit or loss ("FVPL") categories. Classifications are determined by both the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

FINANCIAL ASSETS AT AMORTISED COST

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held with the objective to hold the assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category.

Subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

Leases

Contracts are assessed at inception to determine whether a contract is, or contains, a lease. It is classified as such if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A single recognition and measurement approach is applied for all leases, except for short-term leases, leases of low-value assets and leases to explore for or mine minerals and similar non-regenerative resources. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are included under Property Plant and Equipment (refer note 9).

Lease liabilities are recognised at the commencement date of the lease and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

The Group uses its incremental borrowing rate at the lease commencement date to calculate the present value of lease payments, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liabilities are included in interest-bearing loans and borrowings.

Lease payments for short-term leases, leases of low-value assets and leases to explore for or mine minerals as well as variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Determination of fair values

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Significant accounting judgements, estimates and assumptions

FINANCIAL ASSETS

The Group's financial assets include the receivable in respect of associate, SML, that represents the future reimbursement in US dollars of the Group's historic alluvial exploration and development costs incurred at Lulo. The recoverable amount of the receivable is reassessed using calculations which incorporate various key assumptions as per above.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

8a. Cash and Cash Equivalents

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Balances on hand		
Bank balances	1,317	6,905
	1,317	**6,905**
Foreign exchange risk		
Cash balances exposed to foreign currency risk, based on notional amounts	103	325
Interest rate risk		
Cash balances held at variable interest rates	1,317	6,905
Average rate for 2023: 2.1% (2022: 1.5%)		

Additional Information

Foreign exchange sensitivity analysis

A sensitivity analysis has been prepared to demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant.

A change of 10 percentage points in foreign exchange rates at the reporting date would have an estimated impact of US$0.01 million (2022: US$0.03 million) before tax on the statement of profit of loss and other comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of profit of loss and other comprehensive income. The analysis is performed on the same basis as for the prior period.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

8b. Trade and Other Receivables

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Current		
GST/ VAT receivable	1,307	1,289
Prepayments and other receivables	1,159	1,123
	2,466	**2,412**
Foreign exchange risk		
Receivable balances exposed to foreign currency risk, based on notional amounts	229	264
Interest rate risk		
Non-interest bearing balances	2,466	2,412

Additional Information

Foreign exchange sensitivity analysis

A sensitivity analysis has been prepared to demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant.

A change of 10 percentage points in foreign exchange rates at the reporting date would have an estimated impact of US$0.02 million (2022: US$0.02million) before tax on the statement of profit of loss and other comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of profit of loss and other comprehensive income. The analysis is performed on the same basis as for the prior period.

Credit risk

The Group is not exposed to any significant credit risk. The VAT receivable is expected to be fully recoverable despite the uncertainty in respect of the repeal of the VAT bill by the Lesotho government mentioned in the Directors' Report.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

8c. Financial Assets

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Non-current financial assets		
Receivable in respect of SML		
At 1 January	12,643	26,366
Investment during the period	565	1,038
Repayment received	(5,781)	(12,218)
Transferred to Deferred exploration and evaluation costs for Kimberlite JV	(3,504)	(2,543)
	3,923	**12,643**
Fair value adjustment due to discounting	-	(1,831)
At end of period	**3,923**	**10,812**
Less: Current portion of receivable	(3,923)	(4,000)
Non-current receivable	**-**	**6,812**
Security deposit for environmental rehabilitation in respect of Merlin	699	685
Total non-current financial assets	**699**	**7,497**
Current financial assets		
Receivable in respect of SML		
Current portion of receivable	3,923	4,000
Foreign exchange risk		
Receivables exposure to foreign currency risk, based on notional amounts:	-	-
Interest rate risk		
Non-interest bearing balances	3,923	11,497

Additional information

The receivable in respect of SML was transferred from Alluvial development in 2016 and represents the future reimbursement in US dollars of the Company's historic alluvial exploration and development costs incurred at Lulo. The receivable is classified as a current asset in the current year. In 2022 it was re-measured to its estimated fair value using the income approach, which is a valuation technique that converts future cash flow into a single discounted present value and is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs.

Significant unobservable inputs are the timing and amounts of future repayments which are based on the expected cash flows per the Company's forecast model for SML. Sensitivity factors which could impact the valuation include operational recoveries, prices and delays in the timing of repayments which will decrease the fair value estimate. A discount rate of 16.39% was applied in 2022 in the fair value calculation.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

8d. Trade and Other Payables

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Trade payables	1,275	1,664
Short-term advance	2,213	2,685
Employee related accruals	1,875	1,471
Accruals and other payables	2,868	2,061
Total	**8,231**	**7,881**
Foreign exchange risk		
notional amounts	1,493	1,515
Interest rate risk		
Non-interest bearing balances	8,231	7,881
Liquidity risk		
Contractual maturities profile		
Payable within one year	8,231	7,881

Additional Information

The short-term advance relates to monies advanced to Mothae in terms of the minimum cash price of US$630/carat contained in the partnership agreement with Safdico International Limited. The advance is non-interest bearing and repayable from future sales, polished partnership profits, in cash by 31 December 2022, or as otherwise agreed. These repayment terms are currently being revised with a view to extending the partnership agreement (subject to approval from the GoL).

Foreign exchange sensitivity analysis

A sensitivity analysis has been prepared to demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant.

A change of 10 percentage points in foreign exchange rates at the reporting date would have an estimated impact of US$0.1 million (2022: US$0.2 million) before tax on the statement of profit of loss and other comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of profit of loss and other comprehensive income. The analysis is performed on the same basis as for the prior period.

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

8e. Borrowings

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Current borrowings		
Lease liabilities	235	70
Other short-term loans	-	5,801
Current loans - Embedded derivatives	-	522
Total	**235**	**6,393**
Non-current borrowings		
Lease liabilities	-	33
Other non-current loans	-	-
Other non-current loans - Embedded derivatives	-	-
Total	**-**	**33**
Foreign exchange risk		
Borrowings exposed to foreign currency risk, based on notional amounts	-	-
Interest rate risk		
Balances at variable interest rates	-	2,066
Average rate for 2023: 15.9% (2022: 15.7%)		
Refer interest rate sensitivity analysis below		
Balances at fixed interest rates	235	3,838
Average rate for 2023: 9.8% (2022: 9.8%)		
Liquidity risk		
Contractual maturities profile, including estimated interest payments and excluding the impact of netting agreements		
Borrowings		
Payable within one year	-	7,557
Payable after one year but less than five years	-	-
Payable after more than five years	-	-
Leases		
Payable within one year	240	82
Payable after one year but less than five years	-	34
Payable after more than five years	-	-
Other disclosures in respect of leases		
Cash outflow	1,726	1,390
Low value lease expense	168	32
Expense relating to variable lease payments not included in the measurement of lease liabilities	5,170	-
Non-cash financing recognised	-	-

Notes to the Consolidated Financial Statements
Financial Instruments and Financial Risk Management (continued)

Borrowings - additional Information

Terms and conditions

LEASE LIABILITIES

The lease liabilities consist of the amounts due in respect of the following:

- Mining equipment and plant at Mothae, leased on a monthly basis until May 2024; and
- Various lease contracts for office space, office and other equipment used in its operations. Lease terms vary between 1 and 3 years.

Generally, the Group's obligations under its leases are secured by the lessor's title to the leased assets. Certain lease contracts include extension and termination options.

OTHER LOANS

The prior year loan amounts reflect the balances due to Equigold and IDC. Both loans were settled during the current period and the related security has been expunged.

Cash flow sensitivity analysis for variable rate instruments

A sensitivity analysis has been prepared to demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant through the impact on floating rate interest rates.

A change of 100 basis points in interest rates at the reporting date would have an estimated impact of US$0.01 million (2022: US$0.2 million) before tax on the statement of profit of loss and other comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of profit of loss and other comprehensive income. The analysis is performed on the same basis as for the prior period.

Foreign exchange sensitivity analysis

A sensitivity analysis has been prepared to demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant. A change of 10 percentage points in foreign exchange rates at the reporting date would have an estimated impact of US$0.0 million (2022: US$0.0 million) before tax on the statement of profit of loss and other comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of profit of loss and other comprehensive income. The analysis is performed on the same basis as for the prior period.

Notes to the Consolidated Financial Statements

9. Inventories

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Diamond inventory	922	1,000
Consumables and other inventory	1,429	1,359
	2,351	**2,359**

Additional Information

During the year, US$6.8 million (2022: US$10.2 million) was recognised as an expense under cost of sales for inventories carried at net realisable value.

Accounting policy

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the Consolidated Financial Statements

10. Property Plant and Equipment

Financial Overview

	Deferred exploration and evaluation	Mine development	Plant and equipment	Decom-missioning assets	Stripping activity assets	Right-of-use assets	Other assets	Total
				US$000				
Cost								
Balance at 1 January 2022	27,264	28,192	19,287	749	160	3,684	1,962	81,298
Additions	4,735	3,655	458	624	729	-	156	10,357
Disposals	-	-	-	-	-	(347)	(56)	(403)
Foreign currency movements	(272)	(1,039)	(1,180)	(66)	(34)	(205)	(117)	(2,913)
Balance at 31 December 2022	**31,727**	**30,808**	**18,565**	**1,307**	**855**	**3,132**	**1,945**	**88,339**
Additions	4,221	59	3,516	5	284	1,651	146	9,882
Disposals	-	-	(11)	(418)	-	(3,875)	(2)	(4,306)
Foreign currency movements	(146)	(466)	(1,257)	(58)	(59)	(232)	(122)	(2,340)
Balance at 31 December 2023	**35,802**	**30,401**	**20,813**	**836**	**1,080**	**676**	**1,967**	**91,575**
Accumulated depreciation								
Balance at 1 January 2022	-	2,848	4,122	38	160	2,294	901	10,363
Amortisation/ depreciation charge for the year	-	1,414	1,945	101	179	1,142	391	5,172
Impairment	2,124	11,050	(2,566)	-	-	-	-	10,608
Disposals	-	-	-	-	-	(229)	(13)	(242)
Foreign currency movements	(84)	(106)	(222)	(6)	(17)	(170)	(67)	(672)
Balance at 31 December 2022	**2,040**	**15,206**	**3,279**	**133**	**322**	**3,037**	**1,212**	**25,229**
Amortisation/ depreciation charge for the year	-	1,324	2,033	25	617	1,515	352	5,866
Impairment	-	154	12,420	126	136	190	344	13,370
Disposals	-	-	(11)	-	-	(3,875)	(2)	(3,888)
Foreign currency movements	(144)	(129)	(267)	(9)	(18)	(223)	(75)	(865)
Balance at 31 December 2023	**1,896**	**16,555**	**17,454**	**275**	**1,057**	**644**	**1,831**	**39,712**
Net carrying amounts								
At 31 December 2022	29,687	15,602	15,286	1,174	533	95	733	63,110
At 31 December 2023	**33,906**	**13,846**	**3,359**	**561**	**23**	**32**	**136**	**51,863**

Notes to the Consolidated Financial Statements

Property Plant and Equipment (continued)

Additional Information

Deferred exploration and evaluation costs

Deferred exploration and evaluation costs represent the cumulative expenditure incurred in relation to the Lulo Kimberlite Project, Mothae, Orapa Area F and Brooking projects on diamond exploration and evaluation including plant and equipment. The Company continues to explore for the primary kimberlite sources of the alluvial diamonds being recovered on the Lulo concession, evaluate the neck and other areas of the Mothae kimberlite resource, explore for kimberlite in Botswana and for lamproite in Australia.

The Group has a 39% interest in the Project Lulo Kimberlite Venture ("the JV"), an unincorporated entity classified as a joint operation that operates under the terms of a Mineral Investment Contract entered into between the partners. Accordingly, the Group's interest in the assets, liabilities, revenues and expenses attributable to the JV have been included in the appropriate line items in the consolidated financial statements. Deferred exploration and evaluation costs of US$31.4 million (31 December 2022: US$27.4 million) in the schedule above are related to the JV.

Other assets

Other assets comprise vehicles, computer equipment, furniture & fittings and office equipment.

Impairment testing

The Group recognised an impairment charge in the current year in respect of Mothae as per the Directors' Report (refer page 39). The following key assumption averages were used in the value-in-use model for impairment testing:

- Ore volume treated: 1.4 Mtpa (2022: 1.4 Mtpa);
- US$/ carat sold: 823 (2022: 1,351);
- Discount rate: 10% (2022: 10%);
- ZAR/ US$ exchange rate: 18.8 (2022: 17.0).

The first three assumptions are considered to be level three fair value measurements in both years as they are derived from valuation techniques that include inputs that are not based on observable market data.

Accounting policy

Recognition and measurement

Items of property plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Gains and losses on disposal of an item of property plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property plant and equipment and are recognised net within "other income" in the statement of profit or loss and other comprehensive income.

Subsequent costs

The cost of replacing part of an item of property plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense incurred.

Notes to the Consolidated Financial Statements

Property Plant and Equipment (continued)

Depreciation

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a reducing balance basis over the estimated useful lives of each part of an item of property plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

- Computer equipment: 3-5 years
- Office equipment : 5-10 years
- Mine development: Lesser of life of mine or period of lease
- Mine infrastructure and plant facilities: Based on resources on a unit of production basis

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Mine development

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings, plant and equipment is capitalised as Mine development. Development includes previously capitalised exploration and evaluation costs, pre-production development costs, certain mining assets, development studies and other subsurface expenditure pertaining to that area of interest. On completion, development cost is depreciated as per above. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount is written off to profit and loss.

Deferred exploration and evaluation

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the right to tenure of each identifiable area of interest are current, and either the costs are expected to be recouped through successful development of the area, or activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Exploration assets that are not available for use are not amortised.

Exploration and evaluation assets are initially measured at cost and include acquisition of mining tenements, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation of assets used in exploration activities. General and administrative costs are only included in the measurement of exploration costs where they are related directly to operational activities in a particular area of interest.

Deferred exploration and evaluation costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Stripping activity assets

Costs associated with removal of waste overburden are classified as stripping costs. Stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future.

Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset' and included as a separate category of Property plant and equipment, if:

- future economic benefits (being improved access to the orebody) are probable;
- the component of the orebody for which access will be improved can be accurately identified; and

Notes to the Consolidated Financial Statements

Property Plant and Equipment (continued)

- the costs associated with the improved access can be reliably measured.

If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently amortised over the expected useful life of the identified component of the orebody that became more accessible as a result of the stripping activity. The expected average stripping ratio over the average life of the area being mined is used to amortise the stripping activity. As a result, the stripping activity asset is carried at cost less amortisation and any impairment losses.

The average life of area cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The average life of area stripping ratio and the average life of area cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the stripping ratio are accounted for prospectively as a change in estimate.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of a lease (i.e., the date the underlying asset is available for use) and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Joint operations

A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly); its liabilities (including its share of any liabilities incurred jointly); its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses (including its share of any expenses incurred jointly).

Significant accounting judgements, estimates and assumptions

ASSET USEFUL LIVES AND RESIDUAL VALUES

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re–assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Notes to the Consolidated Financial Statements

Property Plant and Equipment (continued)

VALUATION OF MINERAL PROPERTIES

The Group carries the acquisition of its mineral properties at cost less any provision for impairment. The Group undertakes a periodic review of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking this review, management of the Group is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

EXPLORATION AND EVALUATION ASSETS

The Group assesses the carrying value of exploration and evaluation assets in accordance with the accounting policy noted above. The basis of determining the carrying value involves numerous estimates and judgements resulting from the assessment of ongoing exploration activities, as per the accounting policy note.

DEVELOPMENT

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied in determining when a project is commercially viable and technically feasible. In exercising this judgement, management is required to make certain estimates and assumptions, with inherent uncertainty, as to the future events.

MINERAL RESOURCE, ORE RESERVES AND PRODUCTION TARGET* ESTIMATES

Ore reserves and production target estimates are estimates of the amount of ore that can be economically and legally extracted from the mineral resources of the Group's mining properties. An ore reserve is the economically mineable part of a measured and/ or indicated resource. A production target may include lower confidence inferred resources under certain circumstances and if there are reasonable grounds to do so. Such production target estimates and changes to them may impact the company's reported financial position and results, in the following way:

- The carrying value of exploration and evaluation assets, mine properties, property plant and equipment, and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the unit of production method, or where the useful life of the related assets change;
- Capitalised stripping costs recognised in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios;
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

* The term "production target" is defined to mean a projection or forecast of the amount of mineral to be extracted from a particular mining tenement or tenements for a period that extends past the current year and the forthcoming year.

Notes to the Consolidated Financial Statements
Property Plant and Equipment (continued)

The Group estimates its mineral resource, ore reserves and production targets based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of ore reserves and production targets are based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body

The Group estimates and reports ore reserves and mineral resources in line with the principles contained in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Minerals Council of Australia ("JORC Code").

Notes to the Consolidated Financial Statements

11. Investment in Associate

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Summarised financial information of SML		
Current assets	30,450	31,067
Non-current assets	28,322	26,034
Current liabilities	15,856	12,703
Non-current liabilities	2,844	10,812
Equity	**40,072**	**33,586**
Group's carrying amount of the investment	18,281	15,686
Revenue	78,556	80,999
Cost of sales	(39,914)	(32,568)
Administrative and selling expenses	(22,079)	(22,978)
Fair value adjustments	(1,831)	(2,481)
Finance cost	-	(300)
Profit before tax	**14,732**	**22,672**
Income tax expense	(4,243)	(3,523)
Profit for the period	**10,489**	**19,149**
Total comprehensive income for the period	**10,489**	**19,149**
Group's share of profit for the period	**4,195**	**7,660**
EBITDA	**23,637**	**35,159**
Contingent liabilities	-	1,094
Capital commitments		
Payable within one year		
- Approved, not yet contracted	2,237	5,209
- Approved and contracted	1,637	3,044

Additional Information

The Group has a 40% ownership in SML and has recognised its share of SML's results since its formal incorporation in May 2016. The earnings of SML include fair value adjustments in relation to the discounting of the financial asset of Lucapa reflected under note 8c.

The contingent liability in 2022 relates to additional income tax potentially payable following a recent change to the Angolan Industrial Tax Code in respect of the treatment of unreleased foreign exchange gains and losses due to movements between the United States dollar and the Angolan kwanza. SML's tax for both years has been recognised based on external advice obtained. Confirmation has been received in the current year from the Angolan tax office that this treatment is correct.

Accounting policy

Associates are those entities over which the Group is able to exert significant influence, but which are not subsidiaries. A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in associates and joint ventures are accounted for using the equity method.

Notes to the Consolidated Financial Statements
Investment in Associate (continued)

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Notes to the Consolidated Financial Statements

12. Non-Current Provisions

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$000	
Provision for environmental rehabilitation		
At 1 January	2,329	1,710
Increase/ (decrease) during the year	(413)	625
Unwinding of discount rate	167	125
Foreign exchange difference	(127)	(131)
At end of period	**1,956**	**2,329**

Additional Information

The provision for rehabilitation has been recognised in respect of Mothae and Merlin.

Mothae

The estimate is based on an independent expert's report of the expected rehabilitation cost over the life of the mine and discounted back to present value using a pre-tax discount rate that reflects current market assessments. Assumptions include an estimated rehabilitation timing of between 7 and 10 years (2022: 10 and 13 years), an annual inflation rate of 5.9% (2022: 7.5%) and a discount rate of 11.1% (2022: 8.7%).

Merlin

The estimate is based on the Mining Management Plan for Merlin as approved by the government of the Northern Territory of Australia and discounted back to present value using a pre-tax discount rate that reflects current market assessments. Assumptions include an estimated rehabilitation timing of 16 years (2022:17 years), an annual inflation rate of 3.0% (2022:3.0%) and a discount rate of 4.2% (2022: 4.9%).

Accounting policy

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Asset retirement obligations

The Group recognises a liability for an asset retirement obligation on long-lived assets when a present legal or constructive obligation exists, as a result of past events and the amount of the liability is reasonably determinable. The obligations are initially recognised and recorded as a liability based on estimated future cash flows discounted at a credit adjusted risk free rate. This is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit adjusted risk free discount rate. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and amortised or depleted to operations over the life of the related asset.

Environmental liabilities

Environmental expenditures that relate to current operations are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/ or remedial efforts are probable, and the costs can be reasonably estimated.

Notes to the Consolidated Financial Statements
Non-Current Provisions (continued)

Significant accounting judgements, estimates and assumptions

Included in liabilities at the end of each reporting period is an amount that represents an estimate of the cost to rehabilitate the land upon which the Group has carried out its exploration and evaluation for mineral resources. Provisions are measured at the present value of management's best estimate of the costs required to settle the obligation at the end of the reporting period. Actual costs incurred in future periods to settle these obligations could differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, and discount rates could affect the carrying amount of this provision.

Notes to the Consolidated Financial Statements

13. Share Capital and Share-Based Payments

Financial Overview

	31 Dec 2023	31 Dec 2023
	Number	US$000
Listed securities		
Movement in ordinary shares (ASX code: LOM)		
On issue at beginning of period	1,439,559,875	154,230
On issue at end of period	**1,439,559,875**	**154,230**
Unlisted securities		
Movement in unlisted options (A$0.08 exercise price; expire 30 July 2025)		
On issue at beginning of period	5,000,000	-
On issue at end of period	**5,000,000**	**-**

Additional Information

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share-based payments

	31 Dec 2023	31 Dec 2022
	US$000	
Share-based payment recognised		
Profit or Loss		
Director and employee options	741	70
Non-cash financing and investing activities		
Share issue expenses	-	-
Loan funding	-	-
Deferred exploration and evaluation costs	-	-
	741	**70**
Weighted average remaining contractual life of share options and performance rights in issue (years)	1.82	3.52
Weighted average Lucapa share price during the period/ year (A$)	0.039	0.061

Notes to the Consolidated Financial Statements

Share-based payments (continued)

Movement in Share options and Performance rights in issue and other share-based payment disclosures

	Share options	Performance rights					Weighted average price (A$)
	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	
Exercise price (A$)	$0.08	$0.00	$0.00	$0.00	$0.00	$0.00	
Expiry date	30-Jun-25	31-Dec-25	31-Jan-27	29-Nov-27	31-Dec-26	30-Jun-28	
Number on issue at beginning of period	5,000,000	33,426,681	12,124,573	11,142,227	-	-	0.01
Issue of options/ performance rights	-	-	-	-	11,027,380	9,875,264	-
Exercise of options/ performance rights	-	-	-	-	-	-	-
Expiry/ lapsing of options/ performance rights	-	(10,467,591)	(3,918,278)	(645,197)	-	-	-
On issue at end of period	**5,000,000**	**22,959,090**	**8,206,295**	**10,497,030**	**11,027,380**	**9,875,264**	0.01
Exercisable at end of period	5,000,000	-	8,206,295	2,844,000	-	-	
Assumptions used in estimating fair value of grants in current period:							
Grant date					28-Aug-23	28-Aug-23	
LOM share price at grant date (A$)					0.04	0.04	
Estimated volatility					75%	75%	
Risk-free interest rate					4.05%	4.05%	
Fair value per option/ right (A$)					0.04	0.04	

Notes to the Consolidated Financial Statements
Share Capital and Share-based Payments (continued)

Accounting policy

Share capital

Equity instruments, including preference shares, issued by the Company are recorded at the proceeds received. Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from equity, net of any tax effects.

Share based payments

The fair value of options and rights granted is measured using the Black-Scholes or binomial option pricing models, taking into account the terms and conditions upon which the instruments were granted. The fair value is recognised in employee benefits expense together with a corresponding increase in equity (share-based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/ or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/ or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/ or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The amounts carried under share-based payment reserves are allocated to share capital when underlying shares are issued upon the conversion of options or rights, and to accumulated income/ losses upon the expiry of option or rights.

DETERMINATION OF FAIR VALUES

The fair value of options issued is measured using the Black-Scholes or binomial option pricing models. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Notes to the Consolidated Financial Statements

Share Capital and Share-based Payments (continued)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Where required, the fair value of options granted is measured using valuation models, taking into account the terms and conditions as set out above. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period, but may impact expenses and reserves.

Notes to the Consolidated Financial Statements

14. Commitments and Contingencies

	31 Dec 2023	31 Dec 2022
	US$000	
Operating lease commitments iro mining and exploration rights		
Minimum lease payments under non-cancellable operating lease agreements		
Payable within one year	126	160
Payable after one year but less than five years	285	553
Payable after more than five years	-	845
	411	**1,558**
Capital commitments		
Payable within one year		
Approved, not yet contracted	1,130	2,928
Approved and contracted	-	-

Contingencies

The Group did not have any contingent liabilities as at 31 December 2023 (2022: Nil).

15. Parent Entity Information

	31 Dec 2023	31 Dec 2022
	US$000	
Current assets	5,848	7,210
Total assets	74,053	113,952
Current liabilities	1,493	5,875
Total liabilities	1,493	5,875
Share capital	154,230	154,230
Reserves	(4,775)	(5,501)
Accumulated losses	(76,895)	(40,652)
	72,560	**108,077**
Loss for the period	(36,259)	(12,172)
Total comprehensive loss for the period	(36,259)	(12,172)
Contingent liabilities		
Guarantees issued in favour of suppliers of subsidiaries	1,639	1,353

Notes to the Consolidated Financial Statements

16. Related Party Disclosures

Financial Overview

	31 Dec 2023	31 Dec 2022
	US$	
Key management personnel compensation		
Short-term employee benefits	1,615,313	1,462,836
Post-employment benefits	77,456	79,587
Share-based payments	324,716	37,363
	2,017,485	**1,579,786**
Other related party transactions		
The following payments, relating to office rent and associated costs were made to entities associated with director Miles Kennedy:		
Kennedy Holdings (WA) Pty Ltd	-	12,654
Amount payable to director Miles Kennedy for reimbursement of travel, accommodation, food and other expenses incurred on behalf of the Company*	62,611	-
Loan facility agreement with an entity associated with non-executive Director Ross Stanley:		
Finance cost for period	-	69,684
Amount paid to previous Director Stephen Wetherall for services supplied in respect of the Group's cutting & polishing business (from 1 August 2023)	103,554	-

**Relates to an amount approved by the Board payable to Mr Kennedy for expenses incurred in the conduct of his role as non-executive Chairman of the Company since September 2017. Mr Kennedy previously took the view that until such time as the Group had repaid substantial amounts of debt owing to three different entities, he would not make any claim for reimbursement of Company-related expenses.*

Additional Information

Individual Directors' and executives' compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report. Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no other material contracts involving Director's interests at period-end.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Notes to the Consolidated Financial Statements

17. Group Information

Subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

	31 Dec 2023	31 Dec 2022
	%	%
Lucapa Diamonds (Botswana) (Proprietary) Limited		
Incorporated in Botswana		
Equity interest held	100	100
Australian Natural Diamonds Pty Ltd		
Incorporated in Australia		
Equity interest held	100	100
Brooking Diamonds Pty Ltd		
Incorporated in Australia		
Equity interest held	100	100
Heartland Diamonds Pty Ltd		
Incorporated in Australia		
Equity interest held	100	100
Mothae Diamonds (Pty) Ltd		
Incorporated in the Kingdom of Lesotho		
Equity interest held	70	70
Lucapa (Mauritius) Holdings Limited		
Incorporated in Mauritius		
Equity interest held	100	100

Summarised financial information of subsidiaries with non-controlling interests

Mothae Diamonds (Pty) Ltd

	31 Dec 2023	31 Dec 2022
	US$000	
Assets and liabilities at the end of the period		
Current assets	5,084	4,826
Non-current assets	2,436	21,414
Current liabilities	7,430	8,912
Non-current liabilities	58,211	50,647
Profit or loss and cash flow items for the period		
Revenue	27,999	23,350
Loss for the period	(27,282)	(15,907)
Total comprehensive loss for the period	(19,841)	(11,678)
Cash flows (used in)/ from operating activities	330	(823)
Cash flows used in investing activities	(687)	(1,086)
Dividends paid to non-controlling interests	-	-

Notes to the Consolidated Financial Statements

18. Other Significant Accounting Policies

The financial statements have been prepared using consistent accounting policies to those used for the prior year, except as set out below.

New or revised accounting policies

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022:

- AASB 17 Insurance Contracts;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates;
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information;
- AASB 2022-6 Amendments to AASs – Non-current Liabilities with Covenants;
- AASB 2022-7 Editorial Corrections to AASs and Repeal of Superseded and Redundant Standards;
- AASB 2022-8 Amendments to AASs – Insurance Contracts – Consequential Amendments; and
- AASB 2023-2 Amendments to AASB 112– International Tax Reform Pillar Two Model Rules.

The adoption of these standards has not resulted in any material changes to the Group's financial statements.

The following new/ amended standards have been issued, but are not yet effective:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current;
- AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- AASB 2022-5 Amendments to AASs–Lease Liability in a Sale and Leaseback;
- AASB 2023-1 Amendments to AASs– Amendments to AASB 107 and AASB 7- Disclosures of Supplier Finance Arrangements;
- AASB 2023-3 Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2; and
- AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability.

The requirements of these standards are currently being reviewed, but it is not currently expected to have a material impact on the Group's financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed where relevant in the individual notes above.

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Notes to the Consolidated Financial Statements
Other Significant Accounting Policies (continued)

Principles of consolidation

The Group financial statements consolidate those of the Company and all its subsidiaries as at the end of the period. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Functional and presentation currency

An entity's functional currency is the currency of the primary economic environment in which it operates. All items included in the financial statements of entities in the Group are measured and recognised in the functional currency of the entity. The Group's presentation currency is US dollars, which is also the functional currency of the Company.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in the statement of profit or loss and other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

When a foreign operation is disposed of in part or in full, the relevant amount in equity is transferred to the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is a risk of default. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Notes to the Consolidated Financial Statements

Other Significant Accounting Policies (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of profit or loss and other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of profit or loss and other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Significant accounting judgements, estimates and assumptions

The Group assesses impairment at the end of each reporting year by evaluating specific conditions that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations which incorporate various key assumptions, including estimating diamond prices, foreign exchange rates, production levels & recoverable diamonds, operating costs, capital requirements & its eventual disposal and latest life of mine plans.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. If the information to project future cash flows is not available or could not be reliably established, management uses the best alternative information available to estimate a possible impairment.

Notes to the Consolidated Financial Statements
Other Significant Accounting Policies (continued)

Goods and services tax/ value added tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") or value added tax ("VAT"), except where the amount of GST or VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST or VAT included.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST and VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Determination of fair values

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Notes to the Consolidated Financial Statements

19. Events Subsequent to Reporting Date

On 25 January 2024, Lucapa notified shareholders of the proposed share consolidation of 5 shares to 1. If the proposed consolidation is approved by shareholders at the general meeting, the number of ordinary LOM shares on issue will reduce from 1,439,559,875 to 287,911,975.

No other matters or circumstances have arisen since the end of the financial period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Director's Declaration

1. In the opinion of the Directors of Lucapa Diamond Company Limited:

    a. the financial statements and notes, and the remuneration report in the Directors' Report, as set out on pages 36 to 104, are in accordance with the Corporations Act 2001, including:

        i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and

        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

    b. the financial report also complies with International Financial Reporting Standards as disclosed in the Statement of compliance on page 61; and

    c. Subject to the uncertainty outlined in the Directors' report and basis of measurement sections, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 for the financial year ended 31 December 2023.

Signed in accordance with a resolution of the Directors.

MILES KENNEDY

Chairman

Dated this 28th FEBRUARY 2024

Independent Auditor's Report

ELDERTON
AUDIT PTY LTD

Independent Auditor's Report
To the members of Lucapa Diamond Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lucapa Diamond Company Limited ("Lucapa" or "the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatements. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of US$17.2 million during the year ended 31 December 2023 and incurred cash outflows of US$2.9 million from operating activities with a net decrease of US$5.5 million in cash and cash equivalent for the year then ended. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

T +61 8 6324 2900 E info@eldertongroup.com A Level 32, 152 St Georges Terrace, Perth WA 6000
ABN 51 609 542 458 W www.eldertongroup.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.

Investment in Associate
Refer to Note 11

Key Audit Matter	How our audit addressed the key audit matter
The Group has 40% ownership in Sociedade Mineira Do Lulo Lda in Angola ("SML") and has recognised its share of SML's result since its formal incorporation in May 2016 as disclosed in note 11 to the financial statements. This investment was recorded using equity method under AASB 128 Investments in Associates and Joint Ventures. We considered it as a key audit matter due to its significance.	Our audit work included, but was not restricted to, the following: • We verified Lucapa's percentage holding in SML. • We reviewed the current year financial statements of SML and performed detailed tests of the key areas. • We obtained the latest audited accounts of the Associate and compared with the amount record in the Group's financial statements. • We reviewed subsequently adjustments to the investment for Lucapa's share of SML's profit or loss and other comprehensive income. • We evaluate the impairment assessment of the carrying value by reviewing ASX announcement regarding performance of the Associate.

Deferred Exploration and Evaluation Cost
Refer to Note 10 Property Plant and Equipment

Key Audit Matter	How our audit addressed the key audit matter
At 31 December 2023, the Group has significant exploration and evaluation expenditure of $33.9 million which has been capitalised. As the carrying value of exploration and evaluation expenditures represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount. Management of the Group considered whether there were any indicators of impairment. The Group capitalises exploration and evaluation expenditure in line with AASB 6 *Exploration for and Evaluation of Mineral Resources*. The assessment of each asset's future viability requires significant judgement.	Our audit work included, but was not restricted to, the following: • We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by obtaining valid contracts giving the Group rights to explore, for a sample of capitalised exploration costs; • We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the Group's area of interest were planned; • We enquired with management, reviewed announcements made and reviewed minutes of directors' meetings to ensure that the company had not decided to discontinue activities in any of its areas of interest; and • We enquired with management to ensure that the

There is a risk that amounts are capitalised which no longer meet the recognition criteria of AASB 6.	Group had not decided to proceed with development of a specific area of interest, yet the carrying amount of the exploration and evaluation asset was unlikely to be recovered in full from successful development or sale.

Impairment of PPE
Refer to Note 10 Property Plant and Equipment

Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2023, the Group has property, plant and equipment amounting to US$2.4 million related to it's Mothae operations (Mothae PPE). This has been dropped from US$15.3 million from last year. Mothae has incurred a loss of US$27.3 million during the year ended 31 December 2023 due to the global inflationary environment's impact on material inputs, supply chain and processing constraints. An impairment of US$14.5 million in respect of Mothae has been charged to the income statement. The assessment of the recoverable amount requires significant judgment, in particular relating to estimated cash flow projections and discount rates. Due to the level of judgment, market environment and significance to the Group's financial statements, this is considered to be a key audit matter.	Our audit work included, but was not restricted to, the following: • Reviewed the management's impairment assessment of Mothae PPE in accordance with AASB 136 *Impairment of Assets*. • Checked the mathematical accuracy of management's computation of the value in use. • We have critically evaluated management's methodologies in preparing impairment model and documented basis for key assumptions. • Assessed the reasonableness of the key assumptions such as diamond price, Carat quantities, discount rate etc by evaluating underlying data and work on other audit areas. • Reviewed adequacy of the related disclosures in the financial statements.

Going Concern
Refer to Note 1 - Basis of Preparation

Key Audit Matter	How our audit addressed the key audit matter
The Group has an after-tax loss of US$17.2 million for the full year ended 31 December 2023 (2022: after-tax loss of US$15.1 million). In addition, the Group incurred cash outflows of US$2.9 million from operating activities with a net decrease of US$5.5 million in cash and cash equivalent for the year then ended. Under AASB101: Presentation of Financial Statements, the directors of the Group are required to assess the appropriateness of the preparation of the financial report on a going concern basis.	Our audit work included, but was not restricted to, the following: • Obtained management's assessment of the going concern basis of preparation by reviewing future plans and tested cash flow projections prepared by the Group for consistency with our understanding of planned activities; • Held discussions with management as to any future plans and tested the forecasted cash flows for the twelve month period from the date of signing the financial statements for mathematical accuracy; • Compared forecast expenditure against actual levels of expenditure for the 2023 financial year and obtaining explanations for any significant variances;

The Group has prepared cash flow projections which include recovery of loan from associate. These projections are used to support the sufficiency of working capital. This area is a key audit matter due to the nature of the business, and the current financial position. Should it be inappropriate for the financial statements to be prepared on the going concern basis the values of certain assets and liabilities as set out in the financial statements might be significantly different. As such, the use of the going concern assumption requires proper and due consideration.	• Obtained representations from management and the directors as to the adequacy of cash resources; and • Assessed the adequacy and completeness of related disclosures in the financial statements. The Group's planned future activities are dependent on funding from amounts received from SML and other sources. These factors indicate existence of material uncertainty related to going concern which has been emphasised in the audit report.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 47-51 of the directors' report for the year ended 31 December 2023.

In our opinion the Remuneration Report of Lucapa Diamond Company Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Sajjad Cheema

Director

28 February 2024

Perth

additional ASX *information*

Additional ASX Information

Capital Structure

Ordinary Share Capital

289,141,849 ordinary fully paid shares held by 3,234 shareholders.

SPREAD			NUMBER OF HOLDERS	NUMBER OF SHARES
1	to	1,000	191	100.266
1,001	to	5,000	991	3.347,106
5,001	to	10,000	644	4,846,376
10,001	to	100,000	1,129	37,694,024
100,001 and above			279	243,154,117

As at 15 March 2024 there were 1,054 fully paid ordinary shareholders holding less than a marketable parcel.

Voting rights

Ordinary Shares

On a show of hands, every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and Performance Rights

Options and performance rights carry no voting rights and convert to one ordinary share upon exercise.

On-market buy-back

There is no current on-market buy back.

Substantial shareholders

As at 15 March 2024, substantial shareholder notices had been lodged with ASX by the following shareholders:

FULLY PAID ORDINARY SHARES	NUMBER HELD HOLDERS	% OF ISSUED CAPITAL
Ilwella Pty Ltd	61,394,405(1)	7.62%
Regal Funds Management Pty Ltd	16,932,101 (2)	5.86%
Shadbolt Future Fund (Tottenham) Pty Ltd	64,000,000(1)	5.02%
Tazga Two Pty Ltd as trustee For Tazga Two Trust	55,007,014(1)	5.35%

Note:
(1) Disclosed on a pre-consolidation basis
(2) Disclosed on a post-consolidation basis

The Company announced the completion of the share consolidation on 12 March 2024. The table above reflects the substantial shareholder notices lodged with ASX at the date of this report. Further, the above details may not reconcile to the information in the Top 20 holders of quoted securities list as the shares may be held across multiple associated holdings or if updated substantial shareholder notices have not been required to be lodged with ASX.

Additional ASX Information

Top 20 holders of quoted securities

FULLY PAID ORDINARY SHARES	NUMBER HELD	% OF ISSUED CAPITAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,223,230	9.42%
CITICORP NOMINEES PTY LIMITED	20,530,081	7.10%
TAZGA TWO PTY LTD <TAZGA TWO A/C>	17,402,520	6.02%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,432,476	3.95%
SHADBOLT FUTURE FUND (TOTTENHAM) PTY LTD	10,813,155	3.74%
SAFDICO INTERNATIONAL LIMITED	9,921,918	3.43%
PONDEROSA INVESTMENTS (WA) PTY LTD <THE PONDEROSA INVESTMENT A/C>	9,678,534	3.35%
UBS NOMINEES PTY LTD	6,200,000	2.14%
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	5,045,878	1.75%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	4,821,293	1.67%
MR KENNETH JOSEPH HALL <HALL PARK A/C>	4,400,000	1.52%
ALL-STATES FINANCE PTY LIMITED	4,260,000	1.47%
BNP PARIBAS NOMS PTY LTD	3,897,481	1.35%
ASHANTI INVESTMENT FUND PTY LTD <ASHANTI INVESTMENT FUND A/C>	2,880,000	1.00%
PULLINGTON INVESTMENTS PTY LTD	2,840,050	0.98%
SUI HEE LEE	2,800,000	0.97%
SITUATE PTY LTD	2,752,667	0.95%
GREGORACH PTY LTD <GRIGOR SUPERFUND A/C>	2,413,382	0.83%
MR ALEXANDER JAMES WENTWORTH HILL	2,400,000	0.83%
MR BARNABY COLMAN CADDICK	2,360,000	0.82%
	154,072,665	**53.29%**

Unlisted option holders

There is 1 holder of 1,000,000 $0.40 unlisted options expiring 30 July 2025.
There are 10 holders of 7,102,574 performance rights with various expiry dates
There are 9 holders of 2,080,560 performance rights expiring 31 December 2026
There are 9 holders of 1,975,053 performance rights expiring 30 June 2028

Corporate Directory

Registered Office & Principal Place of Business
34 Bagot Road, Subiaco Western Australia 6008

Contact Details
Phone: +61 8 9381 5995
E-mail: general@lucapa.com.au
Internet: www.lucapa.com.au

Directors (as at 31 Dec 2023)
Miles Kennedy: Non-Executive Director, Chairman
Ross Stanley: Non-Executive Director
Nick Selby: Managing Director/ Chief Executive Officer

Company Secretary
Mark Clements

Share Registry
Automic Pty Ltd
Level 2
267 St Georges Terrace, Perth
Western Australia 6000

Share Trading Facilities
The Company's ordinary shares are listed on the Australian Securities Exchange (Code: LOM) The Home exchange is Perth.

Auditor
Elderton Audit Pty Ltd
Level 32
152 St Georges Terrace, Perth
Western Australia 6000

Definitions and Abbreviations

A$	Australian dollar
AIFRS	Australian International Financial Reporting Standards
AGM	Annual general meeting of shareholders
ASX	Australian Securitues Exchange
Attributable	Attributable ownership in projects based on Lucapa's % shareholding. This is a non-AIFRS measure
AusND	Australian Natural Diamonds Pty Ltd (Lucapa 100% held; registered in Australia)
Brooking	Brooking Pty Ltd
EBITDA	Earnings before interest, taxation, depreciation & amortisation and other non- trading items EBITDA is a non-AIFRS measure
Endiama	Endiama E.P. (Angola's national diamond mining company)
Equigold	Equigold Pte Ltd (registered in Singapore)
ESG	Environmental, Social and Governance
GoL	Government of the Kingdom of Lesotho
GTD Index	GTD Consulting Overall Rough Diamond Price Index
JIBAR	Johannesburgh Interbank Agreed Rate
June half, the half year or H1	The six months ended 30 June
LTI	Lost time injury
Lucapa, the Company or LOM	Lucapa Diamond Company Limited (ASX code: LOM)
MB	Mining block
Merlin	Merlin Diamond Project, owned by AusND
Mothae	Mothae Diamonds (Pty) Ltd, registered in Lesotho (Shareholding: Lucapa 70% and GoL 30%). For AIFRS reporting, Mothae's results are consolidated
Mtpa	Million tonnes per annum
New Azilian	New Azilian Pty Ltd
Orapa	Orapa Area F, Botswana
Rosas & Petalas	Rosas & Petalas S.A. (Private venture partner in Lulo, registered in Angola)
QX 20XX	Reference to one of the quarter periods in a calendar year
Safdico	Safdico International, a subsidiary of Graff International
SFD	Size frequency distribution
SML	Sociedade Mineira Do Lulo Lda, registered in Angola (Shareholding: Lucapa 40%, Endiama 32% and Rosas & Petalas 28%). For AIFRS reporting, SML's results are included on an equity accounted basis
Specials	Diamonds individually weighing in excess of 10.8 carats
the Board	The Lucapa Board of Directors
the Group	The Company, its subsidiaries and associates
the IDC	the Industrial Development Corporation of South Africa Limited
the Second Half or H2	The six months ended/ ending 31 December
VK	Volcaniclastic kimberlite
US$	United States dollar
Z Star	Z Star Mineral Resource Consultants Pty Ltd
ZAR, R or Rand	South African rand

LUCAPA
DIAMOND COMPANY

Lucapa Diamond Company
ACN 111 501 663

34 Bagot Road,
Subiaco WA 6008

Tel: +61 8 9381 5995
Fax: +61 8 9380 9314
Email: general@lucapa.com.au

www.lucapa.com.au