

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

LUCAPA DIAMOND COMPANY LIMITED

ABN

44 111 501 663

Quarter ended ("current quarter")

30 June 2017

| Consolidated statement of cash flows | Current quarter US\$'000 | Year to date (6 mths) US\$'000 |
|---|-------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (284) | (840) |
| (b) development | (254) | (254) |
| (c) production | | |
| (d) staff costs | (444) | (806) |
| (e) administration and corporate costs | (742) | (1,142) |
| 1.3 Dividends received | | |
| 1.4 Interest received | 17 | 21 |
| 1.5 Interest and other costs of finance paid | (4) | (8) |
| 1.6 Income taxes paid | | |
| 1.7 Research and development refunds | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | US\$(1,711) | US\$(3,029) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | 130 | (28) |
| (b) tenements | (224) | (635) |
| (c) investments | | |
| (d) other non-current assets | | |

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| Consolidated statement of cash flows | | Current quarter US\$'000 | Year to date (6 mths) US\$'000 |
|---|--|-------------------------------------|---|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | | |
| | (b) tenements (see item 10) | | |
| | (c) investments | | |
| | (d) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received | | |
| 2.5 | Other (provide details if material) ¹ | 2,501 | 2,355 |
| 2.6 | Net cash from / (used in) investing activities | US\$2,407 | US\$1,692 |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | | |
| 3.2 | Proceeds from issue of convertible notes | | |
| 3.3 | Proceeds from exercise of share options | 655 | 827 |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (82) | (82) |
| 3.5 | Proceeds from borrowings ² | 4,090 | 4,090 |
| 3.6 | Repayment of borrowings ³ | | (408) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | US\$4,663 | US\$4,427 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,111 | 4,349 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,711) | (3,029) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 2,407 | 1,692 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,663 | 4,427 |
| 4.5 | Effect of movement in exchange rates on cash held | 363 | 394 |
| 4.6 | Cash and cash equivalents at end of period ⁴ (US\$'000) | US\$7,833 | US\$7,833 |

Note:

¹ Following the incorporation of SML in May 2016 and in terms of the Mining Investment Contract and agreements with the Company's JV partners, alluvial exploration and capital expenditure incurred by the

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Company is to be repaid from alluvial mining operations. As such, alluvial exploration and capital expenditure are recognised under investing activities. Included in the amount for the June quarter is US\$2.5 million received from Lulo as part of the capital repayment announced to the ASX on 8 March 2017.

² Relates to the A\$5.5m bridging loan received as part of the funding package raised to make the US\$4.1m payment for Mothae and commence the mine development. Refer item 8.

³ Relates to finance payments in respect of earthmoving fleet acquired in 2016. The last repayment was made in February 2017 and as such the liability is fully repaid.

⁴ As the investment in the alluvial mining company, SML, is recognised on an equity-accounted basis in terms of the Company's accounting policy and Australian International Financial Reporting Standards, the closing cash balance at 4.6 above does not include the funds held by SML in Angola of US\$8.5 million.

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter US\$'000 | Previous quarter US\$'000 |
|------------|---|---|--|
| 5.1 | Bank balances | 7,833 | 2,111 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | US\$7,833 | US\$2,111 |

| 6. | Payments to directors of the entity and their associates | Current quarter US\$'000 |
|-----------|--|---|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 ⁵ | 185 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

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

| 7. | Payments to related entities of the entity and their associates | Current quarter US\$'000 |
|-----------|--|---|
| 7.1 | Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 ⁶ | (543) |
| 7.3 | Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

⁶ Relates to intergroup funding payment to subsidiaries. As the cash flow statement is prepared on consolidated basis these amounts are eliminated and therefore reflected as zero at item 2.3.

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| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end US\$'000 | Amount drawn at quarter end US\$'000 |
|--|--|---|
| 8.1 Loan facilities ⁷ | 4,139 | 4,139 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Finance lease facility | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

⁷ The loan facility consists of a six-month secured bridging loan with First Class Securities Pty Ltd as part of the funding package (announced to the ASX on 26 May 2017) to acquire 70% of Mothae Diamonds (Pty) Ltd ("Mothae"). Interest is payable at a fixed amount of 9% of the loan.

| 9. Estimated cash outflows for next quarter | US\$'000 |
|---|-------------------|
| 9.1 Exploration and evaluation ⁸ | 400 |
| 9.2 Development | 3,216 |
| 9.3 Production | - |
| 9.4 Staff costs | 494 |
| 9.5 Administration and corporate costs | 790 |
| 9.6 Other (provide details if material) ⁹ | 5,200 |
| 9.7 Total estimated cash outflows¹⁰ | US\$10,100 |

⁸ The intention is to fund the kimberlite exploration expenditure at Lulo from Lucapa's US\$1.6 million share of the gross distribution declared by Lulo during the previous quarter.

⁹ Relates to the consideration payments due during the next quarter in respect of the Mothae acquisition.

¹⁰ The Company expects to meet its expenditure obligations for the next quarter, as they fall due from current cash at the bank, the proceeds of the funding package referred to above, which includes underwritten A\$9.2m conversion of listed LOMOA options, anticipated capital repayment and gross distribution due from Lulo and/or ongoing project debt discussions and admission to AIM.

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|---|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | Prospecting license 265/2015 Orapa, Botswana | Direct | 75 | 100 |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

Compliance statement

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

Mark Clements**Company Secretary**

18 July 2017

Notes

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