

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

LUCAPA DIAMOND COMPANY LIMITED

ABN

44 111 501 663

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,191	2,191
1.2	Payments for		
	(a) exploration & evaluation (if expensed)		
	(b) development		
	(c) production	(1,822)	(1,822)
	(d) staff costs	(1,607)	(1,607)
	(e) administration and corporate costs ¹	109	109
1.3	Dividends received		
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(391)	(391)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)	(70)	(70)
1.9	Net cash from / (used in) operating activities	(1,589)	(1,589)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(42)	(42)
	(d) exploration & evaluation (if capitalised)	(74)	(74)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(116)	(116)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,852	1,852
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(119)	(119)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(24)	(24)
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	1,709	1,709

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,705	1,705
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,589)	(1,589)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(116)	(116)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,709	1,709

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	(46)	(46)
4.6	Cash and cash equivalents at end of period ²	1,663	1,663

Notes:

¹The amount under 1.2 (e) includes US\$0.4m value added tax (VAT) refunds received during the Quarter.

² Lucapa's investment in Lulo alluvial mining company associate, SML, is recognised on an equity-accounted basis under the Company's accounting policy. As such, 4.6 above does not include US\$1.8m in cash and US\$4.9m in receivables held at Quarter end by SML.

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	1,663	1,705
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)	1,663	1,705

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1³

6.2 Aggregate amount of payments to related parties and their associates included in item 2⁴

**Current quarter
US\$'000**

(252)

555

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Notes:

³ The amount under 6.1 consist of payments for directors' fees (including superannuation) and payments in respect of office rent to an entity associated with Non-executive chairman, Miles Kennedy.

⁴ Relates to intergroup funding payments (to) and from subsidiaries, primarily Mothae. As the cash flow statement is prepared on a consolidated basis, loans to subsidiaries are eliminated on consolidation and reflected as nil at item 2.3.

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7. Financing facilities		
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	
7.1	Loan facilities ⁵	20,206
7.2	Credit standby arrangements	
7.3	Other (lease facilities)	2,590
7.4	Total financing facilities	22,796
7.5	Unused financing facilities available at quarter end	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
<p>⁵ The loan facilities consist of:</p> <ul style="list-style-type: none"> • A three-year secured financing facility with private Singaporean entity, Equigold Pte Ltd; • The four-year secured project development facility for Mothae with the Industrial Development Corporation of South Africa Limited ("IDC"); and • A one-year loan facility with New Azilian Pty Ltd, an entity associated with Non-executive director Ross Stanley on normal commercial arms-length terms. <p>The lockdowns and isolation measures implemented by South Africa, Lesotho and Angola as well as in markets important to the diamond industry to restrict the spread of COVID-19, forced the suspension and curtailment of operations at the Mothae and SML mines. These could trigger default clauses in the Group's loan facility agreements, however, as set out in the ASX announcements of 30 January 2020 and 25 March 2020, Mothae and Lucapa are in discussions with their financiers regarding the restructure of their respective loan facilities.</p>		

8.	Estimated cash available for future operating activities	US\$'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,589)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(66)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,655)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,663
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,663
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

No. As per the ASX announcements on 25 March 2020, 1 April 2020 and 16 April 2020, as a result of the isolation and lockdown measures imposed by a number of countries and markets important to the diamond industry impacting the global economy, this forced the suspension of mining operations at Mothae and Lulo and also resulted in significant asset preservation and cost cutting measures being implemented. The Company plans to recommence normal mining activities when health protocols permit and the global markets recover.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes. As per the ASX announcement on 4 March 2020, the Company launched a pro rata non-renounceable rights issue to raise A\$3.9m. On 30 March 2020, the Company announced the withdrawal of this rights issue due to the ongoing market volatility and was reviewing alternate funding scenarios with its financial advisors.

On 27 April 2020, the Company announced the intention to raise A\$5.25m via a non-renounceable pro-rata rights issue on a 1 for 5 basis, with an attaching \$0.10 option, expiring 2 years from the date of issue ("Rights Issue"). Proceeds from the intended Rights Issue will be used to advance the search for the primary kimberlite sources of the high-value Lulo alluvial diamonds, preserve mining assets suspended as a result of the COVID-19 pandemic and for general working capital purposes.

As also announced and as noted above, Mothae and the Company remain in active dialogue with their respective financiers to restructure their loan facilities. Possible restructuring solutions could include capital and/or interest deferrals, term extensions, convertibility and the Company also continues to review new financing possibilities. These workstreams are ongoing and there remains no assurance Lucapa will be successful in obtaining future funding or restructuring debt facilities.

As per the ASX announcement on 16 April 2020, the Company also announced various asset preservation and cost cutting initiatives to safeguard the Company's employees and assets during this uncertain period brought about by the COVID-19 pandemic.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

The spectre of COVID-19 has created widespread uncertainty and disruption across the world, affecting all sectors of the global economy, the diamond industry included. With this uncertainty and unknown impact on the assumptions contained in the group's cash flow forecasts over the next 12 months, the Directors noted in the Annual Report for the year ended 31 December 2019 published on 25 March 2020 ("2019 Annual Report") that the group may have to source funding solutions and/or restructure existing financing facilities in order to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

The Board also noted in the 2019 Annual Report that Lucapa group's assets, given their various stages of development, will require funding for continued exploration, evaluation, development, care & maintenance and/or mining activities. To the extent that sufficient cash is not generated by the activities or mining operations for anticipated loan, interest and/or dividend payments, funding will be required.

The status of these funding workstreams was announced to the ASX on 16 April 2020 and is noted in 8.8.2 above.

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.

Authorised by the Lucapa Board.

Mark Clements
Company Secretary

27 April 2020

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.