

Lucapa Diamond Company Limited

ACN 111 501 663

Prospectus

For a pro rata non-renounceable rights issue to Eligible Shareholders on the basis of 1 New Share for every 5 Shares held by Eligible Shareholders as at the Record Date at an issue price of \$0.05 per New Share, together with 1 free attaching New Option (exercisable at \$0.10 on or before the date that is 2 years after the issue date), to raise up to approximately \$5,255,126 before costs (**Offer**).

Far East Capital Limited is Lead Manager to the Offer. Please refer to Section 2.6 for the terms of the Lead Manager's appointment.

IMPORTANT NOTICE

This Prospectus is a transaction specific prospectus prepared in accordance with the requirements of section 713 of the *Corporations Act 2001* (Cth). This is an important document that should be read in its entirety. Please read the instructions in this Prospectus and on the accompanying Application Form carefully if you wish to apply for Offer Securities under the Prospectus. If you do not understand this document or you are unsure whether to apply for Offer Securities you should consult your stockbroker, lawyer, accountant or other professional adviser without delay. An investment in the Offer Securities offered by this Prospectus should be considered speculative.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

IMPORTANT NOTES

1. Prospectus

This Prospectus is dated 1 May 2020. A copy of this Prospectus has been lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No Offer Securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus (**Expiry Date**).

This Prospectus is a transactional specific prospectus for an offer of continuously quoted securities and has been prepared in accordance with section 713 of the Corporations Act. This Prospectus does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been made to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Further information is provided in Sections 7.4 and 7.5 of this Prospectus.

The Entitlement and Acceptance Form accompanying this Prospectus is important. Please refer to the instructions in Section 4 regarding the acceptance of the Offer. Applications for Offer Securities offered pursuant to this Prospectus, including for any Additional Securities, can only be submitted on the applicable original Entitlement and Acceptance Form which accompanies this Prospectus. Applications for the Shortfall Offer can only be submitted by invitation from the Company.

If you are in any doubt about the contents of this document, you should obtain independent professional advice.

2. Disclaimer

The information contained in this Prospectus is not investment advice. Before deciding to invest in the Company, you should read and understand the entire Prospectus and, in particular, in considering the Company's prospects, you should consider the risk factors that could affect the Company's performance. You should carefully consider these risk factors in Section 6 in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

None of the Company, the Directors or any other person gives any guarantee as to the success of the Company, the repayment of capital, the payment of dividends, the future value of the Offer Securities or the price at

which the Offer Securities will trade on the ASX.

Any references to past performance of the Company is no guarantee of future performance.

3. No representations other than this Prospectus

No person or entity is authorised to give any information or to make any representation in connection with the Offers that is not contained in this Prospectus or has not been released to ASX with the authorisation of the Company.

4. Forward looking information

Some of the statements appearing in this Prospectus may be in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to many inherent risks and uncertainties before actual outcomes are achieved. Those risks and uncertainties include factors and risks specific to the industry in which the Company operates as well as general economic conditions, interest rates, exchange rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and any variation may be materially positive or negative. Forward looking information (including forecast financial information) is subject to uncertainty and contingencies, many of which are outside the control of the Company.

5. No cooling off rights apply to this Offer

Cooling off rights do not apply to an investment pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Entitlement and Acceptance Form once it has been lodged.

6. Offer Restrictions on distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of Offer Securities in any jurisdiction outside of Australia. This Prospectus is not to be distributed in, and the Offer is not to be made in, countries other than Australia, New Zealand, the United Kingdom, Germany, Singapore and Hong Kong (**Relevant Jurisdictions**). Eligible Shareholders resident in a Relevant

Jurisdiction holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

It is the responsibility of an Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form (or payment via BPAY®) will be taken by the Company as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in a Relevant Jurisdiction. The Company reserves the right to reject any application that it believes come from a person who is not an Eligible Shareholder.

Ineligible Foreign Shareholders should refer to Section 2.14 for details of how their Entitlement will be dealt with.

New Zealand Shareholders

The Offer contained in this Prospectus to Eligible Shareholders with a registered address in New Zealand is made in reliance on the provisions of the *Financial Markets Conduct Act 2013 (New Zealand) (FMC Act)*, the *Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand)* and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*. Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any Offer Securities.

This Prospectus has been prepared in accordance with Australian law and has not been registered, filed with, or approved by the New Zealand regulatory authority under the FMC Act. This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

United Kingdom and Germany

No securities shall or will be admitted to trading on a regulated market situated or operating in the European Economic Area (**EEA**). In relation to each member state of the EEA and the United Kingdom (each a **Relevant State**), no Offer Securities have been or will be offered, sold, transferred or delivered pursuant to the Offer to the public in that Relevant State except pursuant to the following exemptions under the Prospectus Regulation (EU) 2017/1129 (the **Prospectus Regulation**):

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation); or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Offer Securities shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Singapore

The offer of Offer Securities by the Company is made only to and directed at, and the Offer Securities are only available to, persons in Singapore who are existing members of the Company.

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus, the Entitlement and Acceptance Form and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Securities may not be circulated or distributed, nor may the Offer Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an existing holder of Shares on the Record Date pursuant to Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**) or (ii) otherwise pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

Hong Kong

WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (the **CWUMPO**) nor has it been authorized by the Securities Futures Commission in Hong Kong thereunder. No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Offer Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" within the meaning of the Securities and Futures Ordinance of Hong Kong (the **SFO**) or in

circumstances which do not constitute an offer to the public within the meaning of the CWUMPO and the SFO. No advertisement, invitation or document relating to the Offer Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere than is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offer Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under that ordinance. No person allotted Offer Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

United States Shareholders

This Prospectus does not, and is not intended to, constitute an offer or invitation in the United States, to any US person, to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The Offer Securities have not been and will not be registered under the US Securities Act 1933 or the securities laws of any state or jurisdiction in the United States and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

Any person in the United States or any person that is, or is acting for the account or benefit of a U.S. person with a holding through a nominee may not participate in the Offer and the nominee must not take up any Entitlement or send any materials into the United States or to any person that is, or is acting for the account or benefit of, a U.S. person.

7. Nominees and custodians

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the

identity or residence of any beneficial owners of Shares.

Where any registered holder that qualifies as an Eligible Shareholder is acting as a nominee for a foreign person, that registered holder, in dealing with its beneficiary, will need to assess whether the distribution of any documents relating to the Offer (including the Prospectus) or the indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws. The Company is not able to advise on foreign laws.

Nominees and custodians may not distribute any part of this Prospectus, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia except (i) to beneficial shareholders of the Company resident in New Zealand and Singapore; and (ii) with the consent of the Company, to beneficial shareholders resident in the United Kingdom, Germany, Hong Kong certain other jurisdictions where the Company may determine it is lawful and practical to make the Offer.

8. Prospectus availability

Those investors who receive this Prospectus electronically are advised that the issue of securities under the electronic prospectus is only available to persons receiving the electronic prospectus within Australia. A paper copy of this Prospectus may be obtained free of charge from the Company or downloaded from the ASX website. The information on <https://www.lucapa.com.au> does not form part of this Prospectus.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9. Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 9. Unless otherwise indicated, all references to currency are to Australian dollars and all references to time are to Perth, Western Australia time.

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IMPORTANT DATES*

Event	Date
Announcement of the intended terms of the Offer Lodgement of Appendix 3B	Monday, 27 April 2020
Lodgement of Prospectus with ASIC and ASX	Friday, 1 May 2020
Notice sent to Optionholders Notice sent to Shareholders	Tuesday, 5 May 2020
"Ex" date (being the date that Shares start trading without the Entitlements to participate in the Offer)	Wednesday, 6 May 2020
Record Date for determining Entitlements	5.00pm (WST) on Thursday, 7 May 2020
Despatch of Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders Opening Date of Offer	Monday, 11 May 2020
Last date to extend Closing Date	Tuesday, 26 May 2020
Closing Date for acceptances under the Offer	5.00pm (WST) Friday, 29 May 2020
If agreed by ASX, Offer Securities quoted on a deferred settlement basis	Monday, 1 June 2020
Announcement of results of the Offer	Wednesday, 3 June 2020
Issue date of the Offer Securities Deferred settlement trading ends Appendix 2A (applying for quotation of New Shares) to be lodged with ASX.	Before 12.00pm (AEST) on Friday, 5 June 2020
Issue of holding statements Trading of Offer Securities expected to commence	Tuesday, 9 June 2020

** The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend these dates without prior notice including extending the last date for receipt of the Entitlement and Acceptance Form, or to delay or withdraw the Offer at any time without prior notice. If withdrawn, all Application Monies for Offer Securities which have not been issued will be refunded (without interest) as soon as practicable.*

WHAT YOU NEED TO DO TO APPLY FOR OFFER SECURITIES

Read

Read this Prospectus in full paying careful attention to the benefits and risks associated with acceptance of the Offer.

Consider and consult

After reading the Prospectus, consider whether the investment is suitable for you in light of your particular financial position and investment objectives. If necessary, please consult with your financial or investment adviser before making an investment decision.

Complete Entitlement and Acceptance Form

If you are an Eligible Shareholder and have decided to take up your Entitlement in full or in part, complete the Entitlement and Acceptance Form accompanying this Prospectus and lodge the form together with your Application Monies by 5.00pm (WST) on Friday, 29 May 2020.

If you have any queries concerning the Offer or what to do with this Prospectus, please contact:

Automic Group

If calling from within Australia: 1300 288 664

If calling from outside Australia: +61 (02) 9698 5414

If contacting via email: corporate.actions@automicgroup.com.au

Contact your stockbroker, accountant or other professional adviser for advice concerning this Offer or the Shortfall Offer.

LETTER FROM THE CHAIRMAN

Dear Shareholder

On behalf of the Directors of Lucapa Diamond Company Limited (**Company**), I invite you to participate in the Company's pro rata non-renounceable rights issue of 1 New Share for every 5 Shares held by Eligible Shareholders at the Record Date at an issue price of \$0.05 per New Share (**Offer Price**), together with 1 free attaching New Option (exercisable at \$0.10 on or before the date that is 2 years after the issue date) for every 1 New Share subscribed for and issued, to raise up to approximately \$5,255,126 (before costs and rounding) (**Offer**).

This capital raising comes at a challenging time. However, we are seeing positive signs of a return to operations with production re-commencing at our Lulo mine in a scaled manner whilst ensuring the safety of the employees and contractors. Lulo will resume mining and treatment operations on a 2 shift six-day week basis so that we are well positioned to ramp up to full capacity once restrictions are lifted completely.

As announced, the kimberlite (primary source) exploration program at Lulo is at a very important and exciting stage following the recovery of 45 diamonds in the Canguige tributary sample, including D-colour and Type IIa gems. The kimberlite exploration effort continues at Lulo and we look forward to the upcoming dry season where activities can be scaled and to concluding the discussions with the Government of Angola in respect of a majority interest for Lucapa.

The Mothae mine, in just its second year of operation, continued to perform well before the suspension of operations due to the impact of COVID-19. Alternative marketing solutions were investigated which resulted in the sale of 3,963 carats into a cutting and polishing partnership with a high-end diamantaire for US\$2.0m. This provides a good level of price protection as it sees Mothae participating in a share of the polished margin for the first time on a run-of-mine parcel.

Lucapa and Mothae management continue to work with the Government of the Kingdom of Lesotho in respect of the care & maintenance program and also continue to review re-commencement scenarios for the Mothae diamond mine.

Significant overhead reductions have been implemented at the Perth corporate office, including executive directors, other staff and contractors taking a voluntary 60% cut to remuneration or fees, together with the utilisation of accrued leave. In addition, myself and fellow non-executive director, Mr Ross Stanley, have waived our non-executive director's fees until further notice.

We have welcomed the positive discussions with our partners, financiers and leaders in our industry during this challenging period aimed at providing price protection for our diamonds and preserving value of our mining assets. We hope to update you on possible financing solutions accordingly.

The Directors of Lucapa intend to take up their full entitlements under the Offer. Far East Capital Limited will act as lead manager to the Offer.

The Closing Date for the Offer is 5:00pm (WST) on Friday, 29 May 2020. Eligible Shareholders are also invited to apply for Offer Securities in excess of their Entitlement (**Additional Securities**). It is the intention of Lucapa to seek quotation of the options on the ASX, subject to satisfying the ASX conditions for quotation of the options.

The Board asks you to read this Prospectus carefully and in its entirety before deciding what to do in respect of your Entitlement. An investment in Securities in the Company is subject to a range of risks which may impact the value of those Securities. Details of these risks are contained in Section 6 and details of the use of funds are contained in Section 3.1.

On behalf of the Directors, I thank you for your ongoing support in this challenging environment.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Miles Kennedy', with a stylized, cursive script.

Miles Kennedy
Chairman

1. INVESTMENT OVERVIEW

1.1 Overview of the Offer

This Section is not intended to provide full information for investors intending to apply for Offer Securities offered pursuant to this Prospectus. This Prospectus and all of its Sections should be read and considered in their entirety.

Question	Response	Where to find more information
<p>What is the Offer?</p>	<p>The Offer is a pro rata non-renounceable offer of Offer Securities in the Company.</p> <p>Under the Offer, Eligible Shareholders will be given an Entitlement to subscribe for 1 New Share for every 5 Shares held as at the Record Date at an Offer Price of \$0.05 per New Share, together with 1 free attaching New Option (exercisable at \$0.10 on or before the date that is 2 years after the issue date) for every 1 New Share subscribed for and issued.</p> <p>The Offer seeks to issue up to approximately 105,102,522 New Shares and 105,102,522 New Options (subject to rounding and based on the number of Shares on issue as at the date of this Prospectus) to raise up to approximately \$5.255 million (before costs).</p> <p>Application has been made for the New Shares and the New Options (subject to compliance with ASX's standard requirements) to be quoted on ASX.</p>	<p>Section 2.2</p>
<p>What is the purpose of the Offer and use of funds?</p>	<p>The Offer is being made to raise funds to allow the Company to:</p> <ul style="list-style-type: none"> • advance the Kimberlite exploration program at the Lulo Diamond Project, which includes assessing the Canguige catchment area for a primary source, following the highly-encouraging tributary sampling results; • preserve mining assets as a result of the COVID-19 pandemic; • fund working capital requirements; and • meet the costs and expenses of the Offer. 	<p>Section 3.1</p>
<p>Am I an Eligible Shareholder?</p>	<p>The Offer is being made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who:</p> <ul style="list-style-type: none"> • are the registered holder of Shares as at 5:00pm (WST) on the Record Date; and • have a registered address within a Relevant Jurisdiction. 	<p>Section 2.1</p>

Question	Response	Where to find more information
Is there a minimum subscription amount?	There is no minimum subscription for the Offer.	Section 2.4
Is the Offer underwritten?	The Offer is not underwritten.	Section 2.6
What will be the effect of the Offer on control?	The effect of the Offer on the control of the Company will vary with the level of Entitlements and Additional Securities taken up by Eligible Shareholders under the Offer. There is no Shareholder whose interest would exceed 19.9% on the completion of the Offer.	Section 2.18
How do I apply for Offer Securities under the Offer?	Eligible Shareholders can apply for Offer Securities by completing the relevant sections of the Entitlement and Acceptance Form accompanying this Prospectus and sending it to the Share Registry together with payment by BPAY® or EFT in the amount of Entitlement applied for. You may accept all or part of your Entitlement.	Section 4.1
Can I apply for Additional Securities?	<p>Eligible Shareholders (other than Directors and related parties) may, in addition to taking up their Entitlement in full, apply for Additional Securities.</p> <p>However, there may be few or no Additional Securities available for issue depending on the level of take up of Entitlements by Eligible Shareholders. There is no guarantee that you will receive any or all of the Additional Securities you apply for.</p> <p>Further if there remains any Shortfall after allocation of the Additional Securities, the Directors reserve the right to place any Shortfall at their discretion at a price no less than the Offer Price.</p>	Sections 2.12 and 2.13
How will the Additional Securities be allocated?	<p>The Company, in consultation with the Lead Manager, reserves the right to issue Additional Securities at their absolute and sole discretion and otherwise in accordance with the Corporations Act and Listing Rules.</p> <p>The Company, in consultation with the Lead Manager, may scale back any applications for Additional Securities in their absolute and sole discretion and otherwise in accordance with the Corporations Act and Listing Rules. When determining the amount (if any) by which to scale back an application, the Company and the Lead Manager may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought additional Shares in the Company before and after both the</p>	Section 2.12

Question	Response	Where to find more information
	announcement of the Offer and the Record Date, as well as when the application was made.	
Can I sell my Entitlements under the Offer?	No. The Entitlements are non-renounceable and cannot be traded on the ASX or any other exchange, nor can they be privately transferred. Eligible Shareholders who do not take up their Entitlements in full will not receive a value or payment for such Entitlements.	Section 2.11
What is the Shortfall Offer?	The Directors reserve the right at their discretion to place any Shortfall remaining after the satisfaction of applications for Offer Securities by Eligible Shareholders (including applications for Additional Securities) (Shortfall Offer). The Shortfall Offer is a separate offer made pursuant to the Prospectus, on the same terms and conditions as the Offer, and will remain open for up to 3 months from the date of this Prospectus unless closed earlier.	Section 2.13
How can I obtain further information?	Contact Automic Group on 1300 288 664 (within Australia) or +61 (02) 9698 5414 (from outside Australia) at any time between 8:30am and 7:30pm (AEST) Monday to Friday or via email at corporate.actions@automicgroup.com.au until the Closing Date. For advice, actively consult your broker, accountant or other professional adviser.	-

1.2 Key risk factors

Investors should be aware that subscribing for Offer Securities in the Company involves a number of risks. The below and other risks set out in Section 6 may affect the value of the securities in the future, and investing in the Company should be considered speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Offer Securities under this Prospectus.

Risk	Description	Where to find more information
Potential for dilution	Upon implementation of the Offer, the Company will issue up to approximately 105,102,522 New Shares and 105,102,522 New Options (subject to rounding and assuming no existing Options or Performance Rights are exercised prior to the Record Date). The issue of the New Shares and New Options will dilute the interests of existing Shareholders should they not take up their full Entitlement under the Offer (assuming exercise of the New Options). There is also a risk that Shareholders will be further diluted as a result of future capital raisings or	Section 6.3(a)

Risk	Description	Where to find more information
	debt for equity transactions required in order to fund working capital requirements of the Company.	
Impact of COVID-19	<p>The Company has been directly impacted by the outbreak of COVID-19. On 25 March 2020, the Company announced operations were being suspended at the Mothae Mine in Lesotho and on 1 April 2020 the Company announced that activities had been reduced to essential operations at the Lulo Diamond Project in Angola. Subsequently, on 1 May 2020, the Company announced that scaled alluvial mining operations at the Lulo Diamond Project were being recommenced to approximately 50% of capacity.</p> <p>Global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has had and may continue to have a significant impact on capital markets and share prices. The Company's Share price has been, and may continue to be, adversely affected by the economic uncertainty caused by COVID-19.</p> <p>To date, COVID-19 has affected equity markets, governmental action, regulatory policy, self-isolations and travel restrictions. These impacts are creating risks for the Company's business and operations in the short to medium term, including disruption to exploration, development and production activities, inability to source supplies or consumables and higher volatility in the global capital markets and diamond prices.</p> <p>It was stated in the 2019 Annual Report that this uncertainty and potential unknown impact on the assumptions contained in the Group's cash flow forecasts over the next 12 months, the Directors recognised 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.</p> <p>It was further stated in the 2019 Annual Report that 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 was signed is dependent on: the Group's staff, operations, partners and the diamond industry not continuing to be adversely impacted by the coronavirus, thereby impacting key forecast assumptions and scheduled loan, interest and/ or dividend payments; the Group successfully sourcing equity, raising new debt and/ or restructuring existing debt facilities with its financiers; and the Company continuing to achieve success with the Lulo kimberlite exploration program.</p>	Section 6.3(b)

Risk	Description	Where to find more information
Going concern	<p>The Company's annual reports for the financial years ended 31 December 2017, 2018 and 2019 (Financial Reports) include an emphasis of matter with respect to the existence of a material uncertainty about the Company's ability to continue as a going concern. Should the Group's mining operations not eventuate as planned, or the Group is unable to obtain sufficient funding, there is a material uncertainty which may cast doubt as to whether the Group may be able to continue as a going concern.</p>	Section 6.3(c)
Payment obligations	<p>The Group's reduction and suspension of its mining activities could trigger default clauses in the Group's loan agreements.</p> <p>The Company and its subsidiaries are in advanced discussions with their financiers and other parties regarding the restructure of loan facilities and deferred settlement arrangements with creditors. There remains no assurance the Company will be successful in concluding deferral of these payment obligations or any other restructure arrangements as contemplated and this may have a material and adverse effect on the Company's assets, prospects, operations, financial condition and its results of operations.</p> <p>Any failure by the Company to meet any of its payment obligations may result in any of the Company's secured creditors or other contracting parties enforcing payment of all amounts outstanding or enforcing their security over the Company's assets.</p>	Section 6.3(d)
Future capital needs and additional funding	<p>The Company's activities may require future expenditures and the available funds may not be sufficient to cover expenditure that may be required to execute the planned operations or projects of the Company. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve the objectives of the Company's overall business strategy.</p>	Section 6.3(e)
Diamond prices and marketability	<p>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.</p>	Section 6.3(f)
Changes in capital and operating costs	<p>Changes in the Company's capital and operating costs are likely to have an impact on its profitability. Many of these changes may be beyond the Company's control.</p>	Section 6.3(g)

Risk	Description	Where to find more information
Reliance on the directors and management team	<p>The success of the Company will be highly dependent on the expertise and experience of its Directors and senior management. The loss of any key personnel could harm the business or cause delay in the implementation of plans of the Company, whilst management time is directed to finding suitable replacements. There can be no guarantee that the Company will be able to continue to attract and retain required employees.</p>	<p>Section 6.3(h)</p>
Retention of key business relationships	<p>The Company relies significantly on strategic relationships with other entities, as well as the governments of Australia, Angola, Botswana and Lesotho and the communities surrounding its operations. Maintaining good relationships with regulatory and governmental departments, partners, customers and third parties to provide essential contracting services is essential. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.</p>	<p>Section 6.3(i)</p>
Dependence on third party services	<p>The Company relies on products and services provided by third parties. If there is any interruption to the key products or services provided by such third parties the Company may be unable to find adequate replacement services on a timely basis or at all.</p>	<p>Section 6.3(j)</p>
Market conditions	<p>The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company and its operations.</p>	<p>Section 6.3(k)</p>

2. DETAILS OF THE OFFER

2.1 Eligible Shareholders

Eligible Shareholders are those Shareholders who:

- (a) are registered as a holder of Shares as at the Record Date; and
- (b) have a registered address within Australia, New Zealand, the United Kingdom, Germany, Singapore or Hong Kong (**Relevant Jurisdictions**).

The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Offer, or an Ineligible Foreign Shareholder and is therefore unable to participate in the Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Foreign Shareholder.

Shareholders who do not satisfy each of the above mentioned criteria are Ineligible Foreign Shareholders. Ineligible Foreign Shareholders will be sent a letter in the form lodged with ASX. Further information for Ineligible Foreign Shareholders is set out in Section 2.14.

2.2 Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 5 Shares held at the Record Date at an Offer Price of \$0.05 per New Share, together with 1 free attaching New Option (exercisable at \$0.10 on or before the date that is 2 years after the issue date) for every 1 New Share subscribed for and issued, to raise up to approximately \$5,255,126 (before costs and expenses of the Offer).

The Offer Price represents a discount of approximately 13% to the volume weighted average price of Shares on the 5 ASX trading days on which Shares traded prior to 27 April 2020 (being the date on which the Company announced the Offer) and a discount of approximately 10% to the last traded price of the Company's Shares on 24 April 2020 (being the last date on which Shares were traded prior to the announcement of the Offer) of \$0.055.

Based on the capital structure of the Company as at the date of this Prospectus (and assuming no existing Options or Performance Rights are exercised prior to the Record Date), up to approximately 105,102,522 New Shares and 105,102,522 New Options will be issued pursuant to the Offer. No funds will be raised from the issue of the New Options (but will be if the New Options are exercised).

As at the date of this Prospectus, the Company has 3,801,000 Options and 552,763 Performance Rights on issue, all of which may be exercised or, in the case of Performance Rights, converted, subject to achievement of the relevant vesting conditions, prior to the Record Date for the Offer. Please refer to Section 3.3 for further information with respect to these Securities.

Eligible Shareholders (other than Directors and related parties) will be able to apply for Additional Securities in excess of their Entitlements, further details of which are contained in Section 2.12.

2.3 Fractional Entitlements

Fractional entitlements of the Offer will be rounded up to the nearest whole number of Offer Securities.

2.4 Minimum Subscription Amount

There is no minimum subscription for the Offer.

2.5 Brokerage and Stamp Duty Costs

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of Offer Securities under this Prospectus.

2.6 Lead Manager

Pursuant to an agreement between the Company and Far East Capital Limited (ACN 068 838 193; AFSL 253003) (**Lead Manager**) dated 29 April 2020 (**Appointment Letter**), the Company has appointed the Lead Manager to act as lead manager of the Offer.

Pursuant to the Appointment Letter, the Company will pay the Lead Manager:

- (a) a fee equal to 1% of the total amount raised under the Offer; and
- (b) in the event of any Shortfall, a fee equal to 5% of the amount raised from placement of that Shortfall by the Lead Manager.

2.7 Underwriting

The Offer is not underwritten.

2.8 Opening and Closing Date

The Offer will open for receipt of acceptances on 11 May 2020. The Closing Date for acceptance of your Entitlement is 5.00pm (WST) on 29 May 2020.

The Company reserves the right, subject to the Corporations Act and Listing Rules, to extend the last date for receipt of the Entitlement and Acceptance Form (or payment by BPAY®), or to delay or withdraw the Offer at any time without prior notice. Where the Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by cheque to your registered address as noted on the Company's share register.

Any extension of the Closing Date will have a consequential effect on the issue date of New Shares.

2.9 Purpose of the Offer

The purpose of the Offer is to raise up to approximately \$5,255,126 (before costs and expenses) and the Company proposes to use the proceeds as set out in Section 3.1.

2.10 Entitlements under the Offer

Eligible Shareholders who are on the Company's Share register at 5:00pm (WST) on the Record Date, will be given an Entitlement to subscribe for 1 New Share for every 5 Shares held at Record Date, at the Offer Price of \$0.05 per New Share, together with 1 free attaching New Option (exercisable at \$0.10 on or before the date that is 2 years after the issue date) for every 1 New Share subscribed for and issued.

A personalised Entitlement and Acceptance Form setting out an Eligible Shareholder's Entitlement to Offer Securities accompanies this Prospectus. A detailed explanation of

the actions required by Eligible Shareholders to apply for Offer Securities is set out in Section 4.

2.11 Non-Renounceable Offer – Entitlements are not tradeable

The Offer is non-renounceable. As such, an Eligible Shareholder's Entitlement to participate in the Offer is non-renounceable and cannot be traded on the ASX or any other exchange, nor can it be privately transferred.

Eligible Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

Shareholders who do not take up their Entitlements in full will have their percentage interest in the Company diluted as compared to the date the Offer is made. Shareholders who take up their Entitlements in full and make application for Additional Securities and that application is accepted, may have their percentage interest in the Company increased as compared to the date the Offer is made.

2.12 Application for Additional Securities

Any Entitlements not taken up may become available as Additional Securities. Eligible Shareholders (other than Directors and related parties of the Company) may, in addition to taking up their Entitlement in full, apply for Additional Securities, by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form.

Details on how to apply for Additional Securities are set out in Section 4.

It is possible that there will be few or no Additional Securities available for issue, depending on the level of take up of Entitlements by Eligible Shareholders. There is also no guarantee that in the event Additional Securities are available for issue, they will be allocated to all or any of the Eligible Shareholders who have applied for them.

The Company, in consultation with the Lead Manager, reserves the right to issue Additional Securities at their absolute and sole discretion and otherwise in accordance with the Corporations Act and Listing Rules. Additionally, the Company reserves the right to:

- (a) issue an applicant a lesser number of Additional Securities than the number applied for;
- (b) reject an application for Additional Shares; and/or
- (c) not proceed with the issue of Additional Securities (or part thereof).

It is an express term of the Offer that Applicants applying for Additional Securities will be bound to accept a lesser number of Additional Securities allocated to them than applied for, if so allocated. If a lesser number of Additional Securities is allocated to them than applied for, excess Application Monies (only where the amount is \$1.00 or greater) will be refunded without interest.

The Company, in consultation with the Lead Manager, may scale back any applications for Additional Securities in its absolute and sole discretion. When determining the amount (if any) by which to scale back an application, the Company and the Lead Manager may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company

before and after both the announcement of the Offer and the Record Date, as well as when the application was made.

No Additional Securities will be issued to a related party or any other party referred to in Listing Rule 10.11.1, and no Additional Securities will be issued to any person if it would cause that person (or any of their associates) to breach the takeover prohibition in section 606 of the Corporations Act.

2.13 **Shortfall Offer**

The Directors, as permitted under Listing Rule 7.2 (Exception 3), reserve the right at their discretion to place any Shortfall remaining after the satisfaction of applications for Offer Securities by Eligible Shareholders (including applications for Additional Securities made in accordance with Section 2.12) (**Shortfall Offer**). The Directors intend to work with the Lead Manager to place the balance of any remaining Shortfall under the Shortfall Offer. The Shortfall Offer is a separate offer made pursuant to the Prospectus, on the same terms and conditions as the Offer, and will remain open for up to 3 months from the date of this Prospectus unless closed earlier.

Any investor who is not an Eligible Shareholder at the Record Date and who the Company invites to participate in the Shortfall Offer, will need to follow the procedures advised to them by the Company for applications under the Shortfall Offer.

No Shortfall will be issued to a related party or any other party referred to in Listing Rule 10.11.1, and no Shortfall will be issued to any person if it would cause that person (or any of their associates) to breach the takeover prohibition in section 606 of the Corporations Act.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Securities issued is less than the number applied for, or where no issue is made, surplus application monies (only where the amount is \$1.00 or greater) will be refunded without any interest to the applicant as soon as practicable after the closing date of the Shortfall Offer.

2.14 **Ineligible Foreign Shareholders**

In accordance with Listing Rule 7.7.1 and section 9A of the Corporations Act, the Company has decided that it is unreasonable to make the Offer to any Shareholder with a registered address outside Australia, New Zealand, the United Kingdom, Germany, Singapore and Hong Kong as at the Record Date (**Ineligible Foreign Shareholder**), having regard to:

- (a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;
- (b) the number and value of the Offer Securities those Shareholders would be offered under the Offer; and
- (c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

This Prospectus has not been and will not be registered under the securities laws of any jurisdictions outside of Australia. No Prospectus or Application Forms will be sent, and no offers will be made, to Ineligible Foreign Shareholders.

Ineligible Foreign Shareholders with registered addresses outside of the Relevant Jurisdictions should note that the Offer is being conducted in accordance with the laws in force in Australia and the Listing Rules.

Recipients of this Prospectus may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia (other than to Eligible Shareholders).

2.15 **Applying for quotation of Offer Securities**

The Company has applied to the ASX for the New Shares to be granted quotation in accordance with the timetable set out at the commencement of this Prospectus.

The Company has also applied to the ASX for the New Options to be granted quotation. The quotation of the New Options is conditional on the Company being able to satisfy the ASX quotation requirements, being, amongst other things, that there will be at least 100,000 New Options on issue held by at least 50 holders with a marketable parcel. In the event that the New Options are not accepted for quotation, they will be unlisted options.

ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may grant official quotation of the New Shares or New Options is not to be taken in any way as an indication of the merits of the Company or the New Shares or New Options now offered for subscription.

2.16 **Issue of Offer Securities under the Offer**

Offer Securities will only be issued after all Application Monies have been received and ASX has granted permission for the New Shares, and if the relevant quotation requirements are met, the New Options, to be quoted. Offer Securities will be issued in accordance with the Listing Rules and the timetable set out at the commencement of this Prospectus.

All Application Monies received before Offer Securities are issued will be held in a special purpose account. After any Application Monies are refunded (if required) and Offer Securities are issued to Applicants, the balance of funds in the account plus any accrued interest will be received by the Company.

If the New Shares are not quoted by ASX within 3 months after the date of this Prospectus, the Company will refund all Application Monies in full (without interest).

2.17 **CHESS**

The Company participates in the Clearing House Electronic Subregister System, known as CHESS, operated by ASX Settlement Pty Ltd (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement that sets out the number of Offer Securities issued to each successful Applicant under this Prospectus.

It is the responsibility of Applicants to determine their allocation before trading in the New Shares. Applicants who sell New Shares or New Options before they receive their statement do so at their own risk.

2.18 Effect of the Offer on the control of the Company

Generally, Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Offer (subject to immaterial movements as a result of the rounding of Entitlements).

The potential effect of the Offer on control of the Company and the consequences of that effect will depend on a number of factors, including investor demand. The potential effect of the Offer on the control of the Company is as follows:

- (a) if all Eligible Shareholders take up their Entitlements under the Offer, then the Offer will have no significant effect on the control of the Company;
- (b) if some Eligible Shareholders do not take up all of their Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted;
- (c) the proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Offer; and
- (d) the substantial Shareholders of the Company may, as a result of the Offer, increase their respective relevant interests in the Company depending on the take up of Entitlements. The following table sets out the substantial holders' current holdings and the potential impacts to their voting power in various scenarios:

Event	Substantial shareholders			
	Tazga Two Pty Ltd <Tazga Two Trust> ¹		Equigold Pte Ltd	
	Shares	Voting Power ²	Shares	Voting Power ²
Current	42,092,999	8.01%	41,460,928	7.89%
Completion of Offer				
• Fully subscribed	50,511,599	8.01%	49,753,114	7.89%
• 75% subscribed	50,511,599	8.36%	49,753,114	8.23%
• 50% subscribed	50,511,599	8.74%	49,753,114	8.61%
• 25% subscribed	50,511,599	9.15%	49,753,114	9.02%

Notes:

1. Ross Stanley, a Director of the Company, is a director of Tazga Two Pty Ltd and a beneficiary of the Tazga Two Trust.
2. The above table shows the potential impacts to the voting power of the substantial shareholders on completion of the Offer should they accept their full Entitlement. As at the date of this Prospectus, Tazga Two Pty Ltd <Tazga Two Trust> has confirmed that it intends to accept its full Entitlement under the Offer.

The summary above does not take into account the exercise of any Options or Performance Rights on issue nor exercise of any of the New Options issued under this Prospectus. This will dilute the interests of Shareholders.

Having regard to the composition of the Company's Share register and the terms of the Offer, the Company does not expect that issue of Offer Securities under the Offer to have a material effect on the control of the Company.

2.19 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 16.67% following completion of the Offer (as compared to their holdings and number of Shares on issue as at the date of this Prospectus). Examples of how the dilution will impact Shareholders are set out in the table below.

Shareholding as at Record Date	% as at Record Date ¹	Entitlements under the Offer	Shareholding if Offer not taken up	% post Offer if Entitlements not taken up
50,000,000	9.51%	10,000,000	50,000,000	7.93%
25,000,000	4.76%	5,000,000	25,000,000	3.96%
10,000,000	1.90%	2,000,000	10,000,000	1.59%
5,000,000	0.95%	1,000,000	5,000,000	0.79%
1,000,000	0.19%	200,000	1,000,000	0.16%

Notes:

1. This is based on a share capital of 525,512,610 Shares as at the date of this Prospectus and 630,615,132 Shares immediately after completion of the Offer. It assumes that no existing Options are exercised or Performance Rights are converted, and does not take into account the impact of rounding.
2. The dilutionary effect shown in the table is the maximum percentage on assumption that those Entitlements not accepted are placed to Eligible Shareholders who subscribe for Additional Securities or under the Shortfall Offer.
3. This only shows the dilution effect of the New Shares being offered under the Offer. Further dilution will occur if New Options issued under the Offer are exercised.

2.20 Rights attaching to Offer Securities

The New Shares issued under this Prospectus will be on a fully paid basis and will rank equally in all respects with existing Shares. A summary of the important rights attaching to the New Shares is contained in Section 5.1 of this Prospectus.

The terms of the New Options are set out in Section 5.2 of this Prospectus. Subject to the satisfaction of ASX quotation requirements, the New Options will be quoted. Shares issued upon exercise of the New Options will rank equally with existing Shares on issue as at the date of this Prospectus.

2.21 Risk Factors

An investment in the Company carries certain risks that may impact on the future profitability of the Company and the value of the Company's securities. The Offer Securities should be considered highly speculative. The Directors recommend that potential investors carefully consider this Prospectus and consult their professional advisors before deciding whether to apply for Offer Securities pursuant to this Prospectus.

The detailed risk factors affecting an investment in the Company are discussed in Section 6 of this Prospectus.

3. PURPOSE AND EFFECT OF THE ENTITLEMENT OFFER

3.1 Purpose of the Offer and use of funds

The purpose of the Offer is to raise up to approximately \$5,255,126 (before costs and expenses). If fully subscribed, the application of funds raised under the Offer is summarised as follows:

Item of expenditure	\$	%
Advancing the kimberlite exploration at the Lulo Diamond Project ¹	\$1,500,000	29%
Mining asset preservation ²	\$1,500,000	29%
General working capital purposes ³	\$2,102,575	40%
Estimated expenses of the Offer ⁴	\$152,551	3%
Total⁵	\$5,255,126	100%

Notes:

1. Kimberlite exploration at the Lulo Diamond Project includes, but is not limited to, assessing the Canguige catchment area for a primary source.
2. Mining asset preservation includes, but is not limited to, implementation of appropriate care & maintenance programs and working capital support at the Mothae kimberlite mine.
3. General working capital and corporate purposes includes, but is not limited to, principal and interest payments on loans, reducing liabilities and general operating expenditures.
4. Refer to Section 7.9 for further details relating to the estimated expenses of the Offer.
5. The total amount of the use of funds raised may vary as a result of rounding of fractional Entitlements.

The above table is a statement of the Board's current intentions as at the date of this Prospectus. As with any budget, the allocation of funds set out in the table may change depending on a number of factors, including the continued impact of COVID-19, the outcome of plans to recommence operational and development activities currently suspended, regulatory developments, market and general economic and environmental factors. The Board reserves the right to vary the way funds are applied.

The Board believe that on completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. In the event that the Offer is not fully subscribed, advancement of the kimberlite exploration at the Lulo Diamond Project and mining asset preservation will be prioritised, subject to general working capital requirements.

3.2 Effect of the Offer

The principal effects of the Offer will be to:

- (a) increase the Company's cash reserves by up to \$5,255,126 immediately after completion of the Offer, assuming:

- (i) that those Entitlements not accepted by Shareholders (including Additional Securities) are placed under the Shortfall Offer;
 - (ii) before taking into account the costs of the Entitlement Offer; and
 - (iii) prior to the deployment of those funds
- (b) provide the Company with additional capital for the purposes referred to in Section 3.1; and
- (c) increase the total number of issued Shares and Options (refer to Section 3.3).

Pro forma financial information summarising the effects of the Offer is provided in Section 3.5 below.

3.3 Effect of the Offer on capital structure

The table below sets out, for illustrative purposes only, the existing capital structure (as at the date of this Prospectus) together with the impact of the issue of the New Shares and New Options under the Offer. It assumes that the Offer is fully subscribed, no existing Options are exercised or Performance Rights are converted, and does not take into account the impact of rounding.

Shares	Number
Existing Shares as at date of this Prospectus	525,512,610
Maximum number of New Shares issued under the Offer	105,102,522
Total Shares on issue after completion of the Offer¹	630,615,132

Note:

- Assumes no further Shares are issued prior to the Record Date.
- The Company and subsidiaries are in discussions with its financiers and other parties with respect to the refinancing of existing facilities and deferred settlement arrangements with creditors. This may include principle and/ or interest deferrals, term extensions or convertibility. Nothing has been agreed as at the date of this Prospectus.

Options	Number
Existing Options as at date of this Prospectus:	
Unquoted Options exercisable at \$0.45 each on or before 24 May 2020 ¹	250,000
Unquoted Options exercisable at \$0.46 each on or before 31 May 2020 ²	2,250,000
Unquoted Options exercisable at \$0.4355 each on or before 7 June 2021 ³	1,301,000
Total as at the date of this Prospectus	3,801,000

Options	Number
Maximum number of New Options issued under the Offer ⁴	105,102,522
Total Option on issue after completion of the Offer	108,903,522

Notes:

1. The terms and conditions of the Options were announced on 29 May 2017.
2. The terms and conditions of the Options can be found in the Company's Notice of Annual General Meeting announced on 27 April 2017.
3. The terms and conditions of the Options can be found in the Company's Notice of Annual General Meeting announced on 24 April 2018. Of these Options, 867,332 have vested and can be exercised by the holders.
4. The New Options will be issued on the terms and conditions set out in Section 5.2.

Performance Rights	Number
Existing Performance Rights as at date of this Prospectus: ¹	
Unquoted Performance Rights exercisable on achievement of certain vesting conditions on or before 31 May 2020	62,500
Unquoted Performance Rights exercisable on achievement of certain vesting conditions on or before 1 April 2022	490,263
Total Performance Rights on issue after completion of the Offer	552,763

Note:

1. The terms and conditions of the Performance Rights can be found in the Company's Notices of Annual General Meeting announced on 28 April 2017 and 24 April 2018 respectively. These Performance Rights have not vested and cannot be exercised by the holders until the relevant vesting conditions are met.

If any of the Company's existing Options or Performance Rights are exercised prior to the Record Date, the Shares issued on such exercise or conversion will be eligible to participate in the Offer. Accordingly, the total issued capital of the Company following the Offer (assuming it is fully subscribed) may be more than the number shown in this Section 3.3.

The capital structure of the Company on a fully diluted basis as at the date of this Prospectus would be 529,866,373 Shares and on completion of the Offer (assuming all Entitlements are accepted, and no Options are exercised or Performance Rights are converted prior to the Record Date) would be 740,071,417 Shares.

No Shares, Options or Performance Rights on issue are subject to escrow restrictions, either voluntary or ASX imposed.

3.4 **Details of substantial holders**

Based on publicly available information as at 1 May 2020, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares are set out in Section 2.18.

3.5 Effect of the Offer on the Company's Financial Position

Set out below, for illustrative purposes only, is the audited consolidated statement of financial position as at 31 December 2019, the unaudited consolidated statement of financial position as at 31 March 2020 and a pro-forma unaudited consolidated statement of financial position as at 31 March 2020. The pro-forma unaudited consolidated statement of financial position is not intended to represent the financial position of the Company upon completion of the Offer. It is provided as an illustration of the effect of the Offer. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

The unaudited pro-forma balance sheet as at 31 March 2020 below has been prepared on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as noted below. The pro-forma statement of financial position has been prepared assuming:

- (a) the issue of 105,102,522 New Shares offered pursuant to the Offer to raise approximately \$5,255,126 (before costs and expenses);
- (b) the issue of 105,102,522 New Options offered pursuant to the Offer;
- (c) the estimated costs of the Offer of approximately \$152,551, including Lead Manager's fee, which will be approximately \$52,551; and
- (d) no existing Options or Performance Rights are exercised prior to the Record Date.

The pro-forma balance sheet has been prepared to provide Eligible Shareholders with information on the pro-forma assets and liabilities of the Company. The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Pro-forma Statement of Financial Position

A\$000	Audited 31 Dec 2019	Unaudited 31 Mar 2020	Offer (net of costs)	Pro forma 31 Mar 2020
Assets				
Cash and cash equivalents	2,425	2,547	5,103	7,650
Trade and other receivables	2,916	2,286	-	2,286
Contract assets	142	-	-	-
Inventories	2,875	4,689	-	4,689
Total current assets	8,359	9,522	5,103	14,625
Property plant and equipment	86,165	86,399	-	86,399
Non-current financial assets	34,046	36,312	-	36,312
Investment in associate	6,744	7,261	-	7,261
Total non-current assets	126,956	129,972	-	129,972
Total assets	135,315	139,494	5,103	144,597
Liabilities				
Trade and other payables	5,643	6,446	-	6,446
Borrowings	32,033	34,915	-	34,915
Total current liabilities	37,677	41,361	-	41,361
Non-current provisions	1,514	1,281	-	1,281
Deferred tax liabilities	61	65	-	65
Total non-current liabilities	1,575	1,346	-	1,346
Total liabilities	39,252	42,707	-	42,707
Net assets	96,063	96,787	5,103	101,889
Equity				
Share capital and reserves	96,063	96,787	5,103	101,889
Total equity	96,063	96,787	5,103	101,889

Notes:

1. Audited 31 December 2019 financial position at an exchange rate of A\$1.00: US\$0.70.
2. Unaudited 31 March 2020 financial position at an exchange rate of A\$1.00: US\$0.65 as at 29 April 2020.
3. The pro-forma statement of financial position has been prepared on a going concern basis. As with the Financial Reports, the Directors believe that this basis continues to be appropriate and refers Eligible Shareholders to the detailed disclosures in this regard as contained in the Directors' report in the 2019 Annual Report released to the ASX on 25 March 2020.
4. If less than \$5,255,126 is raised (being the full subscription under the Offer before costs), the Company's cash, total assets, net assets and share capital as set out in the pro-forma will all reduce proportionately to the actual amount raised. To the extent that the full subscription under the Offer is not reached, the estimated costs of the Offer will also decrease proportionately.
5. Borrowings reflect the full amount in respect of the Equigold Pte Ltd, Industrial Development Corporation of South Africa and New Azilian Pty Ltd loans. This includes \$10.2m owing to New Azilian Pty Ltd, a company associated with Mr Ross Stanley, a Director of the Company and substantial Shareholder due for repayment in May 2020. In April 2020, a repayment of \$0.9m was made to Equigold Pte Ltd in respect of principal and interest.

As disclosed in the 2019 Annual Report, the spectre of coronavirus has created widespread uncertainty and disruption across the world, affecting all sectors of the global economy, the diamond industry included. With this uncertainty and potential unknown

impact on the assumptions contained in the Group's cash flow forecasts over the next 12 months, the Directors recognised 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. Should the Group's activities not eventuate as planned, or the Group is unable to obtain sufficient funding, there is a material uncertainty which may cast doubt as to whether the Group may be able to continue as a going concern. The pro-forma statement of financial position does not include any adjustments relating to recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The Company and subsidiaries are in discussions with its financiers and other parties with respect to the refinancing of existing facilities and deferred settlement arrangements with creditors. This may include principle and/or interest deferrals, term extensions or convertibility. Nothing has been agreed as at the date of this Prospectus.

As part of ASIC's regular surveillance programme, ASIC reviewed the Company's financial report for the year ending 31 December 2019. ASIC requested further information from the Company in relation to segmental reporting, revenue recognition and deferred exploration and evaluation activities. The Company has provided an initial response to the requested information to ASIC.

3.6 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgment of this Prospectus with ASIC and the respective dates of those sales were:

	\$	Date
Highest	0.15	2 & 3 March 2020
Lowest	0.045	30 April 2020
Last	0.05	1 May 2020

4. ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

4.1 What Eligible Shareholders may do

The number of New Shares and New Options to which you are entitled (your **Entitlement**) is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to Section 2.19 above).

As an Eligible Shareholder, you may participate in the Offer as follows:

- (a) **take up all of your Entitlement** by:
 - (i) completing the Entitlement and Acceptance Form for your full Entitlement according to the instruction on that form; and
 - (ii) arrange payment via BPAY® or EFT for the appropriate Application Monies (at \$0.05 per New Share subscribed for); or
- (b) **take up all of your Entitlement and apply for Additional Shares** by:
 - (i) completing the Entitlement and Acceptance Form for your full Entitlement according to the instruction on that form;
 - (ii) insert the number of Additional Securities over and above your full Entitlement that you wish to apply for; and
 - (iii) arrange payment via BPAY® or EFT for the appropriate Application Monies (at \$0.05 per New Share subscribed for); or
- (c) **take up part of your Entitlement** by:
 - (i) completing the Entitlement and Acceptance Form in respect of that part of your Entitlement that you wish to accept according to the instruction on that form; and
 - (ii) arrange payment via BPAY® or EFT for the appropriate Application Monies (at \$0.05 per New Share subscribed for); or
- (d) **do nothing**, in which case all of your Entitlements will lapse.

The New Options are offered free attaching to the New Shares subscribed for and issued.

Acceptances will not be valid if they are received after the Closing Date.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the payment is insufficient to pay in full for the number of Offer Securities for which you have applied in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole Offer Securities as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

If you take no action in respect of your Entitlement, you will forfeit any potential benefit to be gained from taking up that part of your Entitlement. As this is a non-renounceable offer,

your Entitlements are not tradeable. Refer to Section 2.11 for further information in relation to this.

4.2 Payment

(a) BPAY®

For payment via BPAY®, please follow the instruction on the Entitlement and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with the Australia financial institution that supports BPAY® transactions. If paying via BPAY®:

- (i) you do not need to return the Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form and referred to in this Prospectus; and
- (ii) you should be aware that your financial institution may implement earlier cut off times with regards to electronic payment and it is your responsibility to ensure that funds are received by the Share Registry by **no later than 5.00 pm (WST) on the Closing Date**.

(b) Electronic Funds Transfer (EFT)

For payment via EFT, please follow the instruction on the Entitlement and Acceptance Form. You can make payment via EFT if you are the holder of an account that supports EFT transactions to an Australian bank account. If paying via EFT:

- (i) you do not need to return the Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form and referred to in this Prospectus;
- (ii) you should be aware that your financial institution may implement earlier cut off times with regards to electronic payment and it is your responsibility to ensure that funds are received by the Share Registry by **no later than 5.00 pm (WST) on the Closing Date**; and
- (iii) please be aware of any associated bank fees and you must quote your unique reference number included on the Entitlement and Acceptance Form as your payment reference/description when processing your EFT payment. Failure to do so may result in your funds not being allocated to your application and shares subsequently not issued.

(c) Cheques

In light of the current environment we are experiencing with COVID-19, the Company and Automic Group have agreed to not to accept cheque payment for this Offer. In lieu of this the Share Registry has established the electronic funds transfer (EFT) and BPAY® payment options described above.

4.3 Entitlement and Acceptance Form is binding

Return of a completed Entitlement and Acceptance Form (or payment via BPAY® or EFT) constitutes a binding offer to acquire Offer Securities on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. If the Entitlement and

Acceptance Form is not completed correctly, it may still be treated as a valid application for Offer Securities. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

4.4 Representations you will be taken to have made by accepting the Offer

By completing and returning your Entitlement and Acceptance Form or making a payment via BPAY[®] or EFT, you will be deemed to have:

- (a) acknowledged that you have fully read and understood this Prospectus and the Entitlement and Acceptance Form in their entirety and you acknowledge the matters and make the warranties, representations and agreements contained in this Prospectus and the Entitlement and Acceptance Form;
- (b) represented and warranted that:
 - (i) you are a Shareholder;
 - (ii) the laws of any place does not prohibit you from being given this Prospectus and Entitlement and Acceptance Form; and
 - (iii) application for Offer Securities (and, if applicable, any Additional Securities) by you does not breach any laws in any jurisdiction;
- (c) agreed to be bound by the terms of the Offer, the provisions of this Prospectus and the Constitution;
- (d) declared that the details and statements contained in the Entitlement and Acceptance Form are complete and accurate;
- (e) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offer and your Entitlement and Acceptance Form;
- (f) authorised the Company to register you as the holder of the New Shares and New Options;
- (g) acknowledged that once the Company receives your Entitlement and Acceptance Form or any payment of Application Monies via BPAY[®] or EFT, you may not withdraw your application or funds provided except as allowed by law;
- (h) represented that you have a registered address in a Relevant Jurisdiction as at the Record Date;
- (i) declared that you were the registered holder at the Record Date of the Shares indicated in the Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) agreed to apply for and be issued up to the number of Offer Securities specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY[®] or EFT, at the Offer Price per New Share;
- (k) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the Offer Securities to be issued to you, including, in the case of the Company and its officers

or agents, act on instructions of the Share Registry upon using the contact details set out in your Entitlement and Acceptance Form;

- (l) understood and acknowledged that the information contained in this Prospectus and your Entitlement and Acceptance Form is not investment advice nor a recommendation that the Offer Securities are suitable for you given your investment objectives, financial situation or circumstances;
- (m) acknowledged that investment in the Company is subject to risk, including, without limitation, the risks outlined in Section 6;
- (n) acknowledged that none of the Company or its related bodies corporate, affiliates or their respective directors, officers, partners, employees, representatives, agents, consultants or advisers guarantees the performance of the Company or the Share price, nor do they guarantee the repayment of capital;
- (o) authorised the Company to correct any errors in your Entitlement and Acceptance Form or any other document provided to you;
- (p) agreed to provide (and, if applicable, direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date; and
- (q) represented and warranted that:
 - (i) you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - (ii) you acknowledge that the Offer Securities have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any state or other jurisdiction of the United States and accordingly, the Offer Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act 1933 and any other applicable securities laws; and
 - (iii) you have not and will not send any materials relating to the Offer to any person in the United States or a person acting for the account or benefit of a person in the United States.

4.5 Privacy Act

If you complete an application for Offer Securities (or make payment via BPAY® or EFT), you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Offer Securities, the Company may not be able to accept or process your application.

5. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SECURITIES

5.1 Rights attaching to the New Shares

The Company is incorporated in Australia and is subject to the Corporations Act. As a company listed on ASX, the Company is also regulated by the Listing Rules.

The rights attaching to ownership of Shares (including New Shares) are described in the Constitution and are regulated by the Corporations Act, Listing Rules and the general law (the **applicable law**).

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours. In applying for Offer Securities, the Applicant agrees that it and the New Shares to issued are bound by the terms of the Constitution.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. The New Shares issued pursuant to this Prospectus will rank equally in all respects with, and have the same rights as, existing Shares.

General Meetings and Notice

Each Shareholder is entitled to receive notice of all general meetings of the Company. Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- » each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- » on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote has one vote; and
- » on a poll, every person present who is a Shareholder entitled to vote or a proxy, attorney or representative of a Shareholder entitled to vote shall, in respect of each fully paid Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for every fully paid Share, but in respect of partly paid Shares shall have a fraction of a vote equal to the proportion that the amount paid bears to the issue price of the Shares.

Dividend Rights

Subject to any rights or restrictions attached to a class of Shares, the Directors may from time to time resolve to declare dividends on Shares out of the profits of the Company in compliance with the Corporations Act.

Winding Up

Subject to any rights or restrictions attached to a class of Shares, if the Company is wound up, the liquidator may, with the authority of a special resolution (being a resolution passed by not less than 75% of the votes validly cast at a general meeting), divide among the Shareholders in kind the whole or any part of the property of the Company and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to satisfying the requirements of the Constitution, the Listing Rules, the ASX Settlement Operating Rules, the ASX Clear Operating Rules and the Corporations Act.

Calls on Shares

Subject to the Corporations Act, the Constitution and the terms of issue in respect of a Share, the Company may, at any time, make calls on the Shareholders of a Share for all, or any part of, the amount unpaid on the Share. If a Shareholder of the Company fails to pay a call or instalment of a call, the Company may, subject to the Constitution, the Corporations Act and the Listing Rules, enforce a lien on the Share in respect of which the call was made or forfeit the Share in respect of which the call was made.

Further Increases in Capital

Subject to the Corporations Act, the Listing Rules, the Constitution and any rights attached to a class of Shares, the Company may allot and issue Shares and grant Options over Shares, on any terms, at any time and for any consideration, as the Directors resolve.

Variation of Rights

Subject to the Corporations Act and the terms of issue of Shares of particular class, the Company may, with the sanction of a special resolution of the Company and:

- (a) a special resolution passed at a meeting of Shareholders holding Shares in that Class; or
- (b) with the written consent of Shareholders who are entitled to at least 75% of the votes that may be cast in the affected class,

vary or cancel the rights attached to Shares in that class or convert those Shares from one class to another.

5.2 Rights attaching to the New Options

The terms and conditions of the New Options are set out below. In the event that the New Options are not accepted for quotation by the ASX, they will be unquoted options.

- (a) Definitions for the purposes of the terms and conditions of the New Options:
 - (i) **ASX** means ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange (as applicable).
 - (ii) **ASX Listing Rules** means the official listing rules of ASX.
 - (iii) **Company** means Lucapa Diamond Company Limited (ABN 44 111 501 663).

- (iv) **Option Holder** means the person or persons registered as the holder of one or more New Options from time to time.
 - (v) **Corporations Act** means Corporations Act 2001 (Cth).
 - (vi) **Expiry Date** means 5.00pm (WST) on the second anniversary of the Issue Date.
 - (vii) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising New Options.
 - (viii) **Issue Date** means the date on which the New Options are issued to the holder.
 - (ix) **Share** means a fully paid ordinary share in the capital of the Company.
 - (x) **WST** means Australian Western Standard Time.
- (b) Each New Option carries the right to subscribe for one Share upon exercise.
- (c) Subject to paragraph (k), the amount payable upon exercise of a New Option will be \$0.10 (**Exercise Price**).
- (d) Subject to ASX's quotation requirements, including that there is at least 50 holders of New Options under these terms and conditions, the Company will apply to the ASX for official quotation of the New Options. The Company gives no assurances that such quotation will be granted.
- (e) New Options may be exercised by the Option Holder by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Expiry Date. Any New Options not exercised before the Expiry Date that time will automatically lapse on the Expiry Date.
- (f) Each Exercise Notice must state the number of New Options to be exercised and be accompanied by the relevant holding statement(s), if any, and payment (in Australian currency by electronic funds transfer or other means of payment acceptable to the Company) to the Company of an amount (**Application Monies**) being the result of the Exercise Price multiplied by the number of New Options being exercised.
- (g) Within 15 Business Days after receipt of a properly executed Exercise Notice and Application Monies in cleared funds in respect of the exercise of any New Options, the Company will:
- (i) issue the resultant Shares and deliver notification of shareholdings; and
 - (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.
- (h) Shares issued pursuant to an exercise of New Options will rank, from the date of issue, *pari passu* with existing Shares in all respects.
- (i) New Options carry no right to participate in pro rata issues of securities to Shareholders unless the New Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- (j) Each Option Holder will be notified by the Company of any proposed pro rata issue of securities to Shareholders a reasonable period prior to the record date set for

that pro rata issue to give the Option Holder the opportunity to exercise the New Options in sufficient time to receive, before that record date, Shares issued on the exercise of New Options entitling participation in the pro rata issue.

- (k) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of all the New Options will be changed to the extent necessary to comply with the requirements of the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (l) Except as noted in paragraph (k) above, a New Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the New Option can be exercised.
- (m) Subject at all times to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the New Options are freely transferable.

6. RISKS

6.1 Introduction

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial and tax circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to subscribe for Shares.

An investment in Shares should be regarded as highly speculative and involves many risks. The New Shares under this Prospectus, or Shares issued upon exercise of the New Options, carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

There are a number of factors, both specific to the Company and of a general nature to the business and economic climate which may, either individually or in combination, affect the future operating and financial performance of the Company, its prospects, its investment returns and the value of its Securities. These risks include, but are not limited to, the risks set out in this Section 6.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed and Shareholders should have regard to those risk factors that may be relevant to their own personal circumstances before deciding to invest in Offer Securities pursuant to this Prospectus.

The last trading price of Shares on ASX prior to the date of this Prospectus is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

6.2 Highly speculative investment

The Company is principally aiming to achieve long term profitability and may not generate profits in the short or medium term. Accordingly, an investment in the Securities may not be suitable as a short-term investment. The price of the Company's Securities may be subject to large fluctuation on small volumes of Securities traded and, the Securities may be difficult to sell at the quoted market price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Securities may not reflect the underlying value of the Company.

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time and are able to suffer the complete loss of their investment.

6.3 Key investment risks

(a) Potential for dilution

Upon implementation of the Offer, the Company will issue up to approximately 105,102,522 New Shares and 105,102,522 New Options (subject to rounding and assuming no existing Options or Performance Rights are exercised prior to the Record Date). The capital structure upon completion of the Offers is set out in Section 3.3.

The issue of the New Shares and New Options will dilute the interests of existing Shareholders should they not take up their full Entitlement under the Offer (assuming exercise of the New Options). There is also a risk that Shareholders will be further diluted as a result of future capital raisings or debt for equity transactions required in order to fund working capital requirements of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

(b) **Impact of COVID-19**

The Company has been directly impacted by the outbreak of COVID-19. On 25 March 2020, the Company announced operations were being suspended at the Mothae Mine in Lesotho and on 1 April 2020 the Company announced that activities had been reduced to essential operations at the Lulo Diamond Project in Angola. Subsequently, on 1 May 2020, the Company announced that scaled alluvial mining operations at the Lulo Diamond Project were being recommenced to approximately 50% of capacity.

The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The Directors are closely monitoring the situation and considering the impact on the Company's business from both a financial and operational perspective.

Global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has had and may continue to have a significant impact on capital markets and share prices. The Company's Share price has been, and may continue to be, adversely affected by the economic uncertainty caused by COVID-19.

To date, COVID-19 has affected equity markets, governmental action, regulatory policy, self-isolations and travel restrictions. These impacts are creating risks for the Company's business and operations in the short to medium term, including disruption to exploration, development and production activities, inability to source supplies or consumables and higher volatility in the global capital markets and diamond prices.

In addition, such outbreaks may result in restrictions on travel and public transport and prolonged closures of facilities or other workplaces, including those required for diamond sales, which may have a material adverse effect on the Company and the global economy more generally. Any material change in the Company's operating conditions, the financial markets or the economy as a result of these events or developments may materially and adversely affect the Company's business, financial condition and results of operations.

It was stated in the 2019 Annual Report that this uncertainty and potential unknown impact on the assumptions contained in the Group's cash flow forecasts over the next 12 months, the Directors recognised 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.

It was further stated in the 2019 Annual Report that 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 was signed is dependent on: the Group's staff,

operations, partners and the diamond industry not continuing to be adversely impacted by the coronavirus, thereby impacting key forecast assumptions and scheduled loan, interest and/ or dividend payments; the Group successfully sourcing equity, raising new debt and/ or restructuring existing debt facilities with its financiers; and the Company continuing to achieve success with the Lulo kimberlite exploration program.

(c) **Going concern**

The Company's Financial Reports include an emphasis of matter with respect to the existence of a material uncertainty about the Company's ability to continue as a going concern. Should the Group's mining operations not eventuate as planned, or the Group is unable to obtain sufficient funding, there is a material uncertainty which may cast doubt as to whether the Group may be able to continue as a going concern.

Despite the 'emphasis of matter' paragraph in the Financial Reports, the Directors believe that upon successful completion of the Offer and successfully negotiating deferral of payment obligations and arrangements, the Company will have sufficient working capital to carry out its stated objectives.

(d) **Payment obligations**

As disclosed in the 2019 Annual Report and the Company's Quarterly Activities Report announced on 27 April 2020, the imposition of lockdowns by the Governments of Lesotho, South Africa, Angola as well as markets important to the diamond industry to curb the spread of COVID-19 led to mining operations being suspended at Mothae and reduced at the Lulo Diamond Project late in the first quarter of this year. These suspensions could trigger default clauses in the Group's loan agreements.

The Company and its subsidiaries are in advanced discussions with their financiers and other parties regarding the restructure of loan facilities and deferred settlement arrangements with creditors. There remains no assurance the Company will be successful in concluding deferral of these payment obligations or any other restructure arrangements as contemplated and this may have a material and adverse effect on the Company's assets, prospects, operations, financial condition and its results of operations.

Any failure by the Company to meet any of its payment obligations may result in any of the Company's secured creditors or other contracting parties enforcing payment of all amounts outstanding or enforcing their security over the Company's assets.

(e) **Future capital needs and additional funding**

The Company's activities may require future expenditures and the available funds may not be sufficient to cover expenditure that may be required to execute the planned operations or projects of the Company. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve the objectives of the Company's overall business strategy.

The Company may need to raise further capital in the future through either debt or equity financing. Despite the Company's previous track record in raising funds, there is no assurance that the Company will be successful in obtaining the financing

required as and when needed, particularly given recent volatility in global financial markets and diamond industry. Volatile markets may make it difficult or impossible for the Company to obtain debt or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis, or the Group's activities do not eventuate as planned, may cause the Company to postpone development plans or reduce or terminate some or all of its activities, which could materially adversely affect the Company's prospects, operations, financial condition, results of operations and ability to continue as a going concern.

(f) **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 stopping or delaying projects, putting one or more projects on care and maintenance and slowing down operations until there is a change in diamond prices. Notwithstanding 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.

(g) **Changes in capital and operating costs**

Changes in the Company's capital and operating costs are likely to have an impact on its profitability. The Company's main planned production and exploration expenses include mining costs, treatment costs, overheads and exploration costs. Changes in costs of the Company's mining and processing operations can occur as a result of unforeseen events and could result in changes in profitability or resource and reserve estimates, including rendering certain mineral resources and reserves uneconomic to mine. Many of these changes may be beyond the Company's control.

(h) **Reliance on the directors and management team**

The success of the Company will be highly dependent on the expertise and experience of its Directors and senior management. The loss of any key personnel could harm the business or cause delay in the implementation of plans of the Company, whilst management time is directed to finding suitable replacements. In particular, the Company relies heavily on the experience of its senior management and Directors in developing and maintaining important relationships with governmental and regulatory authorities, partners, contractors and customers in

the jurisdictions in which it operates. The Company's business therefore may be materially negatively affected by the failure to attract, or the departure of, any of these individuals, or any of a number of other key employees. There can be no guarantee that the Company will be able to continue to attract and retain required employees. The loss or diminution in the services of any of the Directors or any member of the senior management team or an inability to recruit, attract, train and/or retain necessary personnel with the requisite expertise and experience could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(i) Retention of key business relationships

The Company relies significantly on strategic relationships with other entities, as well as the governments of Australia, Angola, Botswana and Lesotho and the communities surrounding its operations. Maintaining good relationships with regulatory and governmental departments, partners, customers and third parties to provide essential contracting services is essential. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

(j) Dependence on third party services

The Company relies on products and services provided by third parties. If there is any interruption to the key products or services provided by such third parties the Company may be unable to find adequate replacement services on a timely basis or at all. The Company is unable to predict the risk of insolvency or other managerial failure by any of the contractors or other service providers currently or in the future used by the Company in its activities. Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Company. In addition, the termination of these arrangements, if not replaced on similar terms, could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

There is significant competition for the services of suitably qualified and/or experienced contractors, such as mining and drilling contractors and other providers of exploration, engineering, project management, laboratory services and mining and processing services. As a result, the Company may experience difficulties in timeously sourcing and retaining the services of suitably qualified and/or experienced sub-contractors. The loss or diminution in the services of suitably qualified and/or experienced sub-contractors or an inability to source or retain necessary sub-contractors or their failure to properly perform their services could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(k) Market conditions

The share prices of publicly quoted companies can be highly volatile. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company and its operations.

These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Securities by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other macroeconomic factors which are outside of the control of the Company. The market price of the Securities could be subject to fluctuations in response to variations in the Company's prospects, results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Company, its customers or its competitors, changes in financial estimates by securities analysts, the operating and share price performance of other companies, press and other speculation and other events or factors, many of which are beyond the Company's control. Volatility in the price of the Shares may be unrelated or disproportionate to the Company's operating results.

As the Company is listed on the ASX (with a secondary listing on the Frankfurt Stock Exchange), the price of its Securities is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, changes in the outlook for commodities (not just diamonds), inflation, interest rates, general economic conditions and changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause the Company's securities to trade below current prices and may affect the income and expenses of the Company.

6.4 Operational risks

(a) 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 minimise 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.

There are also physical risks to the personnel working in the countries in which the Company operates. Should any of these hazards or risks adversely affect the Company's operations or activities it may cause an increase in the cost of operations to the point where it is no longer economically feasible to continue.

As a result, the Company may be required to write down the carrying value of one or more mines or projects. It may also cause work stoppages, damage to or destruction of the Company's facilities, personal injury, damage to life or property, environmental damage or pollution, business interruption, monetary losses and

possible legal liability, which could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past exploration, evaluation, development and mining activities for which it was not responsible. All of these hazards or risks could have a material adverse effect on the Company's prospects, financial condition, results of operations and future cash flows and could have an adverse effect on the value of the securities of the Company.

The Company's revenues are related to its minerals operations, its results and financial conditions are directly related to the success of its exploration, evaluation, development, mining and acquisition efforts and the ability to replace existing resources and reserves. A failure in the Company's ability to discover new resources or reserves, enhance existing diamond bearing gravels, resources or reserves or develop new operations in sufficient quantities to maintain or grow the current level of resources and reserves could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

Should any of these hazards or risks adversely affect the Company's operations or activities it may cause an increase in the cost of operations or capital to the point where they differ from the original estimates or design and make it no longer economically viable to continue, and require the Company to write down the carrying value its operations or assets.

(b) **Project development risks**

There can be no assurance that the Company will be able to effectively manage the expansion of its operations or that the Company's personnel, systems, procedures and controls will be adequate to support the Company's operations. This includes, among other things, the Company managing the acquisition of required land tenure, infrastructure development and other related issues affecting local and indigenous populations, their cultures and religions. Any failure of the Board to effectively manage the Company's growth and development could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(c) **Force majeure**

Events may occur within or outside of the markets in which the Group operates that could impact upon the global, African and Australian economies, the operations of the Company and the market price of its Securities. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemic floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the Company's ability to conduct business.

The Company's operations have been affected by the spectre of the COVID-19 pandemic (as detailed in Section 6.3(b)) and as a matter of course, management issued force majeure notices to a number of contractors and suppliers.

The Company does not have insurance for all force majeure risks, some of which (such as COVID-19) are, in any event, uninsurable. To the extent that such event

occur, there may be an adverse effect on the operations and profitability of the Company.

(d) **Infrastructure**

Development of the Company's projects depends to a significant degree on adequate infrastructure. In the course of developing its operations, the Company may need to construct and support the construction of infrastructure, which includes water supplies, power, transport and logistics services, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure or any failure or unavailability in such infrastructure could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(e) **Weather and climatic conditions**

The current and future activities of the Company, including access to its projects and the conduct of its activities may be materially affected by seasonal and unexpected weather patterns, heavy rain, floods and other weather and climatic conditions.

(f) **Health risks**

Health risks in southern and central Africa may be greater than those in Australia and the Company may be materially adversely affected by illness or injury of personnel whose services are relevant to the Company's activities.

(g) **Resource estimates**

The estimation of mineral resources is a subjective process and involves a certain degree of supposition and the accuracy of these estimates is a function of the quality and quantity of available data and the assumptions used and judgements made in interpreting information. Mineral resource estimates are therefore uncertain and may not be representative. There are numerous uncertainties inherent in any resource estimate and the assumptions used or judgements made may prove to be inaccurate; the economic viability of mining may differ materially from the Company's estimates. As further information becomes available through additional field work, evaluation and analysis, the estimates are subject to change. This may result in alterations to development and mining plans, which may in turn materially adversely affect the prospects, operations, financial condition and results of operations. No assurance can be given that the anticipated volumes/ tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mineral resources can be mined or processed profitably. Actual recoveries may not conform to geological, metallurgical or other expectations or estimates and the volume and grade of ore recovered may be below or above the estimated levels.

6.5 **Financial and legal risks**

(a) **Mineral rights and licenses**

The Company's project areas are located in multiple jurisdictions and largely outside of Australia. Accordingly, there are a number of risks which the Company may be unable to manage. The Company has secured permits, licences and rights in respect of mineral properties as outlined in the Company's regulatory

disclosures. Government concessions, permissions, approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. These rights, permissions, concessions and any others acquired in the future, are subject to change, including certain financial commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant rights, permissions, concessions or licences. The Company must also comply with existing standards, laws and regulations that may result in the Company incurring greater costs and/ or suffering delays, depending on the nature of the activity to be permitted and the permitting authority.

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 Australia, Angola, Botswana or Lesotho will continue to be extended past the current expiry dates and if not so extended could materially adversely 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 and 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 Australia, Angola, Botswana and Lesotho is subject to potential litigation by third parties claiming an interest in them and the failure to comply with all applicable permission, 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.

(b) 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.

(c) Environmental, health and safety and other regulatory standards

The Company's operations are subject to various laws and regulations relating to the protection of the environment (including regular environmental audits and the obtaining of appropriate permits or approvals by relevant environmental authorities). The Company is also required to comply with applicable health and safety and other regulatory standards. Environmental legislation in particular can, in certain jurisdictions, comprise numerous regulations which might conflict with one another and which cannot be consistently interpreted. 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 Directors intend that the Company will operate in accordance with the highest standards of environmental practice and comply in all material respects with applicable environmental laws and regulations however full compliance may not always be ensured.

Any failure to comply with relevant environmental, health and safety and other regulatory standards may subject the Company to extensive liability and fines and/or penalties and have an adverse effect on the business and operations, financial results or financial position of the Company. In particular, a violation of health and safety laws relating to a mine, or other plant or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine, or other plant, a loss of the right to mine or to use other plant, or the imposition of costly compliance procedures. If health and safety authorities require the Company to shut down all or a portion of a mine, or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

Furthermore, the future introduction or enactment of new laws, guidelines and regulations could serve to limit or curtail the growth and development of the Company's business or have an otherwise negative impact on its operations. Any changes to or increases in the current level of regulation or legal requirements may have a material adverse effect upon the Company in terms of additional compliance costs. Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations involving the protection and remediation of the environment and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive.

Although the Board believe that the Company are in compliance in all material respects with applicable environmental laws and regulations and hold all necessary approvals and permits under those laws and regulations, there are certain risks inherent in the Company's activities and those which it anticipates undertaking in the future that could subject the Company to potential liability. The Company therefore cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its prospects, operations, financial condition and its results of operations.

(d) **Insurance coverage**

The Company insures its operations in accordance with the Company's needs and circumstances and plans to continue to insure against the risks it considers appropriate. However, the Company's insurance may not cover all potential risks associated with the Company's business. In addition, the Company may elect not to have insurance against certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment that

the risks are remote. Furthermore, as a participant in extraction/ mining activities, the Company may not be able to obtain insurance coverage at all or at acceptable premiums and some forms of insurance protection used in western countries may be unavailable in some of the jurisdictions in which it operates. In the event that insurance coverage is not available, or the Company's insurance is insufficient to fully cover any losses, claims and/ or liabilities incurred, the Company's business and operations may be disrupted, and its financial results or financial position adversely affected. In addition, the payment by the Company's insurers of any insurance claims may result in increases in the premiums payable by the Company for its insurance cover and adversely affect the Company's financial performance. In the future, some or all of the Company's insurance coverage that is currently available may become unavailable or prohibitively expensive.

(e) **Taxation**

The taxation of an investment in the Company depends on the individual circumstances of investors. Changes in the tax laws of countries that are applicable to the Company, or any other subordinate legislation or the practice of any relevant taxation authority could have a material adverse effect on the Company. Any tax legislation and its interpretation and the legal and regulatory regimes which apply to the Company may change at any time, which could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(f) **Credit**

Credit risk refers to the risk that any counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk mainly relates to amounts advanced to its operations and to the loans obtained by the Company. The Company's short-term cash surpluses are placed with banks that should 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.

(g) **Economic conditions**

Economic conditions, in Australia, Angola, Botswana, Lesotho, and globally, may affect the Company's performance. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, among others, are outside the control of the Company, are difficult to predict, and could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(h) **Foreign exchange rates**

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Angolan kwanza, Botswanan pula, Lesotho maloti (fixed on a 1:1 basis to the South African rand) and the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are not in the entity's functional currency. The Company manages some of its foreign exchange risk by maintaining a balanced position between foreign currency bank balances and hedging instruments.

(i) **Anti-Bribery and Corruption**

The Company has adopted a formal Anti-Bribery and Corruption Policy which applies to all staff, consultants and contractors that work with the Company across its controlled operations. The policy seeks to ensure that the Company operates in an ethical and transparent manner in all business dealings and that the Company has a mechanism for staff to alert management should any issues or incidents occur. The Company will continue to review its anti-corruption procedures to ensure that they are sufficiently robust to prevent corruption and to mitigate the risk of any controlled member of the Company committing an offence under applicable bribery legislation. There can be no guarantee that the employees of the Company or its other associates will abide by these procedures and as such the Company, its Directors and employees of the Company could be exposed to criticism or prosecution under legislation in relevant jurisdictions.

(j) **Anti-Slavery**

The Company has adopted a formal Anti-Slavery Policy which applies to all staff, consultants and contractors that work with the Company across its controlled operations. The policy seeks to ensure that the Company operates in an ethical and transparent manner in all business dealings and that the Company has a mechanism for staff to alert management should any issues or incidents occur. The Company will continue to review its anti-slavery procedures to ensure that they are sufficiently robust to prevent any controlled member of the Company committing an offence under applicable anti-slavery legislation. There can be no guarantee that the employees of the Company or its other associates will abide by these procedures and as such the Company, its Directors and employees of the Company could be exposed to criticism or prosecution under legislation in relevant jurisdictions.

(k) **Legal risks**

The Company's operations in Angola, Botswana and Lesotho are subject to the jurisdiction of the courts in those countries. The legal systems may be affected by political instability in those countries and additional legal risks, such as political influence in obtaining effective legal redress in courts and a high degree of discretion on the part of government agencies, may arise as a result.

Further the introduction of new legislation, amendments to existing legislation, the application of developments in existing common law, or the interpretation of those laws, could materially adversely affect the viability and profitability of the Company's assets and operations in Angola, Botswana and Lesotho.

(l) **Estimates in financial statements**

Preparation of consolidated financial statements will require the Company to use estimates and assumptions. Accounting for estimates will require the Company to use its judgement to determine the amount to be recorded on its financial statements in connection with these estimates. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate or change, the Company could be required to write down the value of certain assets. On an ongoing basis, the Company will re-evaluate its estimates and assumptions.

However, the actual amounts could differ from those based on estimates and assumptions.

(m) **Litigation**

The mining industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. There can be no guarantee that the current or future actions of the Company will not result in litigation. Examples could include litigation relating to labour related disputes or issues related to the rights and privileges of natural resource companies. The Board cannot preclude that such litigation may be brought against the Company in the future. Any defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position, results or operations. The Company's business may be materially adversely affected if the Company and/ or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

(n) **Changes in accounting or reporting financial standards**

Changes in accounting or reporting financial standards may adversely affect reported financial performance of the Company.

6.6 **General risks**

(a) **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 rate 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, regulations, 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 Angola, 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.

(b) Legislative changes, government policy and approvals

Changes in government, monetary policies, taxation and any other laws or regulations in Australia, Angola, Botswana, Lesotho, South Africa or internationally may impact the Group's operations and the value of the Company's Securities.

The Group requires government regulatory approvals for its operations.

The impact of actions, including delays and inactions, by state, territory and federal governments may affect the Group's activities including such matters as access to land and infrastructure, compliance with environmental regulations, production and exploration activities and currency exchange. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Group by government bodies, or if they are, that they will be renewed, or that the Group will be in a position to comply with all conditions that are imposed.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially adversely affect the prospects and financial performance of the Company and the value of the Securities offered under this Prospectus.

The information in this Prospectus does not constitute a recommendation to subscribe for Offer Securities and this Prospectus does not purport to contain all the information that you may require to evaluate a potential application for Offer Securities. You should make your assessment of what information is relevant to your decision to participate in the Offer.

7. ADDITIONAL INFORMATION

7.1 Nature of the Prospectus

This Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act which allows the issue of a transaction specific prospectus in relation to offers of securities (or options to acquire such securities) where those securities are of a class which have been quoted for 12 months before the date of that prospectus.

7.2 Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been a Director or officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred by the person as an officer of the Company.

7.3 Taxation

The acquisition and/or disposal of Offer Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to take independent financial advice about the consequences of acquiring Offer Securities from a taxation viewpoint and generally.

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with subsequent disposal of any Offer Securities subscribed for under this Prospectus as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders.

The Directors recommend that all Eligible Shareholders consult their own professional tax advisers.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Offer Securities under this Prospectus.

7.4 Continuous disclosure and documents available for inspection

This Prospectus is issued pursuant to section 713 of the Corporations Act.

Section 713 of the Corporations Act enables companies to issue transaction specific prospectuses where those companies are, and have been for a period of 12 months, disclosing entities.

The Company is a "disclosing entity" for the purposes of section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which requires it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company will provide a copy of each of the following documents, free of charge, to any person who asks for it prior to the Closing Date:

- (a) the 2019 Annual Report, being the annual financial report most recently lodged with ASIC by the Company;

- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2019 Annual Report and before lodgement of this Prospectus with ASIC; and
- (c) any continuous disclosure notices given by the Company after the lodgement of the 2019 Annual Report and before the lodgement of this Prospectus with ASIC. Such notices are listed in Section 7.5.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

7.5 ASX Releases

ASX releases of the Company since the date of lodgement of the Company's latest annual report and prior to the date of lodgement of this Prospectus are listed below:

Date lodged	Announcement
01/05/2020	Proposed issue of securities - LOM
01/05/2020	Re-commencement of Operations at Lulo
27/04/2020	Quarterly Activities Report
27/04/2020	Quarterly Cashflow Report
27/04/2020	Proposed issue of securities - LOM
27/04/2020	Lucapa Capital Raising
21/04/2020	Deferral of AGM
21/04/2020	Section 708A Notice and Appendix 2A
16/04/2020	Lucapa COVID-19 Update
14/04/2020	Mothae Diamonds Sold Into Cutting and Polishing Partnership
01/04/2020	Lulo Update
30/03/2020	Withdrawal of Rights Issue
26/03/2020	Diamond Analysis Supports Search for Lulo Kimberlite Source
25/03/2020	Appendix 4G
25/03/2020	Annual Report

The Company may make further ASX announcements after the date of this Prospectus. Copies of the abovementioned announcements (as well as any further announcements) will be available on the ASX website, www.asx.com.au under the Company's code "LOM".

7.6 Information excluded from continuous disclosure notices

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Board considers would reasonably require in order to assess the Company's assets and liabilities, financial

position and prospects and the rights and liabilities attaching to Offer Securities in the Company.

7.7 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its promotion or formation or in connection with the offer of Offer Securities; or
- (c) the offer of Offer Securities, other than as Shareholders,

and no amounts or benefits have been paid or agreed to be paid (in cash, Shares or otherwise) to any Director:

- (d) to induce him or her to become, or to qualify him, as a Director; or
- (e) for services rendered by him or her in connection with the promotion or formation of the Company or the offer of Offer Securities.

The Directors' and their nominees' current interests in Securities are as follows:

Director	Shares	Voting Power	Entitlement	\$
Miles Kennedy	2,625,127 ¹	0.50%	525,025	26,251
Ross Stanley	42,092,999 ²	8.01%	8,418,600	420,930
Stephen Wetherall	2,229,250 ³	0.42%	445,850	22,293
Nick Selby	1,489,458 ⁴	0.28%	297,892	14,895

Notes:

1. Held indirectly via Kennedy Holdings (WA) Pty Ltd. In addition, the following Options are held by Mr Kennedy:
 - (a) 230,000 unquoted Options held indirectly via Kennedy Holdings (WA) Pty Ltd, exercisable at \$0.46 each on or before 31 May 2020; and
 - (b) 130,000 unquoted Options held directly by Mr Kennedy, exercisable at \$0.4355 each on or before 7 June 2021.
2. Held indirectly via Tazga Two Pty Ltd as trustee for Tazga Two Trust, of which Mr Stanley is a director of the trustee company and a beneficiary of the trust.
3. Held directly by Stephen Wetherall and indirectly by Joanne Wetherall, the spouse of Stephen Wetherall. In addition, the following Options are held directly and indirectly by Mr Wetherall:
 - (a) 400,000 unquoted Options exercisable at \$0.46 each on or before 31 May 2020; and
 - (b) 210,000 unquoted Options exercisable at \$0.4355 each on or before 7 June 2021.
4. Held indirectly by Diana Selby, the spouse of Nick Selby. In addition, the following Options are held directly and indirectly by Mr Selby:
 - (a) 300,000 unquoted Options exercisable at \$0.46 each on or before 31 May 2020; and
 - (b) 165,000 unquoted Options exercisable at \$0.4355 each on or before 7 June 2021.

At the time of lodging this Prospectus, the Directors have indicated that they will take up their full Entitlements under the Offer.

The following table shows the annual remuneration (including superannuation and non-cash share based payments) paid to both executive and non-executive Directors for the past financial year and the proposed remuneration for the financial year ending 31 December 2020:

Director	Financial year ending 31 December 2020 \$	Financial year ended 31 December 2019 \$
Miles Kennedy	37,210	148,838
Ross Stanley	24,806	99,225
Stephen Wetherall	348,663	633,938
Nick Selby	263,771	479,588

Note:

- As announced on 16 April 2020, Mr Wetherall and Mr Selby have accepted a 60% reduction in their respective executive fees for April and May 2020. Mr Kennedy and Mr Stanley have also agreed to waive their non-executive director fees until further notice. The above table assumes an ongoing reduction in executive fees and the waiving of the non-executive fees until 31 December 2020. This will be subject to ongoing Board review.

7.8 Related Party Transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

7.9 Estimated expenses of the Offer

If the Offer is fully subscribed, the total expenses of the Offer (exclusive of GST) are estimated to be approximately as follows:

Expenses	\$
Lead Manager Fee	52,551
ASX and ASIC Fees	30,727
Legal (in the preparation of this Prospectus)	30,000
Printing, postage and share registry	27,227
Other	12,046
Total	152,551

7.10 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the 2 years before the date of this Prospectus, any interest in:

- » the formation or promotion of the Company;

- » property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of Offer Securities under this Prospectus; or
- » the offer of Offer Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash, Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of Offer Securities issued pursuant to this Prospectus.

Far East Capital Limited has agreed to act as Lead Manager to the Offer and will receive fees as described in Sections 2.6 and 7.9. Far East Capital Limited has been paid fees totalling \$188,033 by the Company in the previous 2 years. As at the date of this Prospectus, Far East Capital Limited and associated companies hold 11,028,280 Shares in the Company.

K&L Gates has acted as Company's legal advisers in relation to the Offer and will receive fees as described in Section 7.9 (excluding GST and disbursements). K&L Gates been paid fees totalling \$64,885 (excluding GST and disbursements) for legal services provided to the Company in the previous 2 years.

7.11 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Offer Securities), the Directors, the persons named in the Prospectus with their consent as proposed directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section does not make, and does not purport to make, any statement in this Prospectus other than as specified in this Section and in light of the above, only to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name or a statement included in this Prospectus with the consent of that party as specified in this Section.

Far East Capital Limited has given and, as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the Offer under this Prospectus, in the form and context in which it is named. Far East Capital Limited makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Far East Capital Limited.

K&L Gates has given and, as at the time of lodgement of this Prospectus, has not withdrawn, its consent to be named as the Company's legal advisers in this Prospectus in the form and context in which it is named. K&L Gates makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by K&L Gates.

Elderton Audit Pty Ltd has given and, as at the time of lodgement of this Prospectus, has not withdrawn, its consent to be named as the auditors to the Company in this Prospectus in the form and context in which it is named and to the inclusion of statements and information relating to or attributable to Elderton Audit Pty Ltd in this Prospectus. Elderton Audit Pty Ltd makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Elderton Audit Pty Ltd, other than the reference to its name and a statement included in this Prospectus with its consent in the form and context in which it is included. Elderton Audit Pty Ltd have not caused the issue of or in any way authorised this Prospectus and takes no responsibility for the issue of this Prospectus.

Automic Group has given and, as at the time of lodgement of this Prospectus, has not withdrawn, its consent to be named as the Company's Share Registry in this Prospectus in the form and context in which it is named. Automic Group has had no involvement in the preparation of any part of the Prospectus, apart from compiling the Application Forms and being named as Share Registry to the Company. Automic Group has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this Prospectus.

7.12 Directors' authorisation

Each Director of the Company has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

7.13 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8. DIRECTORS' STATEMENT

This Prospectus is issued by the Company and its issue has been authorised by a resolution of Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus and has not withdrawn that consent.

Signed for and on behalf of the Company on 1 May 2020.

A handwritten signature in black ink, appearing to read 'Miles Kennedy', with a stylized flourish at the end.

Miles Kennedy
Chairman

9. DEFINITIONS

In this Prospectus the following terms and abbreviations have the following meanings, unless otherwise stated or unless the context otherwise requires:

\$ or AUD Australian dollar.

2019 Annual Report means the Company's annual financial report for the year ended 31 December 2019.

Additional Securities means Offer Securities applied for by an Eligible Shareholder in excess of the Eligible Shareholder's Entitlement.

Application Forms means the Entitlement and Acceptance Form and the Shortfall Offer Application Form.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application Monies means money payable by applicants in respect of their applications for Offer Securities under the Offer.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or Australian Securities Exchange (as applicable).

ASX Clear Operating Rules means ASX Clear Pty Limited's clearing rules.

ASX Settlement Operating Rules means ASX Settlement Pty Limited's operating rules.

Board means the board of Directors of the Company from time to time.

Business Day has the meaning ascribed to it in the Listing Rules.

Constitution means the constitution of the Company.

CHESS means Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer as set out in the "Important Dates" Section of this Prospectus (subject to the right of the Directors to change this date without notice).

Company or **Lucapa** means Lucapa Diamond Company Limited (ACN 111 501 663).

Corporations Act means *Corporations Act 2001 (Cth)*.

Directors means the directors of the Company in office at the date of this Prospectus.

EFT mean electronic funds transfer.

Eligible Shareholder has the meaning given in Section 2.1 and excludes an Ineligible Foreign Shareholder.

Entitlement means an Eligible Shareholder's entitlement to participate in the Offer as it appears on the Entitlement and Acceptance Form.

Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Prospectus that sets out the Entitlements of Eligible Shareholders to subscribe for Offer Securities pursuant to the Offer.

Financial Reports means Company's annual reports for the financial years ended 31 December 2017, 2018 and 2019.

Expiry Date has the meaning given to that term in item 1 of the "Important Notice" Section.

Group means the Company and all of its subsidiaries.

Ineligible Foreign Shareholder has the meaning given in Section 2.14.

Lead Manager means Far East Capital Limited (ACN 068 838 193, AFSL 25300).

Listing Rules means the listing rules of the ASX as amended from time to time.

New Options means the Options (exercisable at \$0.10 on or before the date that is 2 years after the issue date) and otherwise on the terms set out in Section 5.2) to be issued under the Offer.

New Shares means the Shares to be issued under the Offer.

Offer means the pro rata non-renounceable offer of Offer Securities on the basis of 1 New Share for every 5 Shares held at the Record Date at the Offer Price, together with 1 free attaching New Option for every 1 New Share subscribed for and issued, pursuant to this Prospectus.

Offer Price means \$0.05 per New Share.

Offer Securities means each of the New Shares and New Options offered under this Prospectus.

Opening Date means the opening date of the Offer as set out in the "Important Date" Section of this Prospectus (subject to the right of the Directors to change this date without notice).

Option means an option to subscribe for a Share.

Optionholder means a holder of Options.

Prospectus means this prospectus.

Record Date means the record date of the Offer as set out in the "Important Date" Section of this Prospectus (subject to the right of the Directors to change this date without notice).

Relevant Jurisdiction has the meaning given in Section 2.1.

Securities means the Company's securities and included Shares, Options and/or performance rights.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Registry means Automic Pty Ltd (ACN 152 260 814) trading as Automic Group.

Shortfall means those New Shares and New Options under the Offer not applied for by Eligible Shareholders under their Entitlement.

Shortfall Application Form means the Shortfall application form to be sent by the Company, at its discretion, in connection with the Shortfall Offer.

Shortfall Offer has the meaning given in Section 2.13.

US\$ means United States dollars.

WST means Western Standard Time, as observed in Perth, Western Australia.

References in this Prospectus to **Sections** are to sections of this Prospectus.

10. CORPORATE DIRECTORY

Directors	Miles Kennedy (Non-Executive Chairman) Ross Stanley (Non-Executive Director) Stephen Wetherall (Managing Director) Nick Selby (Executive Director)
Company Secretary	Mark Clements
Registered office	34 Bagot Road Subiaco WA 6008 Tel: +61 8 9381 5995 Fax: +61 8 9380 9314
Website	www.lucapa.com.au
ASX Code	LOM
FRA Code	NHY
Lead Manager*	Far East Capital Limited AFSL 25300
Legal Advisers	K&L Gates Level 32, 44 St Georges Terrace Perth WA 6000
Share Registry*	Automic Group Level 2 267 St Georges Terrace Perth WA 6000 Investor Services: 1300 288 664 General Enquiries: +61 (02) 8072 1400
Auditor*	Elderton Audit Pty Ltd Level 2 267 St Georges Terrace Perth WA 6000

* These parties are included for information purposes only and have not been involved in the preparation of this Prospectus.