



INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

Lucapa Diamond Company Limited (ASX: **LOM**) (“**Lucapa**” or “**the Company**”) is pleased to publish its interim financial report for the six months ended 30 June 2021.

KEY HIGHLIGHTS

- Attributable cash operating margin (EBITDA) of US\$10.3 million (A\$13.5 million) on the back of record revenues
- Lucapa reiterates its guidance towards the upper-end of its estimated attributable cash operating margin for CY2021 of A\$17 million - A\$21 million
- Rough diamond prices increased more than 20 percent over the period to reach seven-year highs
- Margin growth through the unique polishing partnerships
- Record volumes, processing rates and large diamond recoveries from both African operations
- The signing of a binding agreement to acquire the Merlin Diamond Project in the Northern Territory of Australia, following the successful completion of a capital raising

Managing Director, Stephen Wetherall commented *“Our cost control and preservation strategy initiated in response to the COVID pandemic last year, set Lucapa up well to capture the resurgence in the diamond market and achieve record financial results in the first half of this year.*

Our strong first half performance is a credit to our operational teams and partners who have worked hard to position the operations to achieve these results. We will continue to build on this into the second half of the year as we strive to achieve the upper-end of our cash operating market guidance of A\$17-21 million for the full year.”

Authorised by the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

ABOUT LUCAPA

Lucapa is a unique growing diamond producer with high-value producing mines in Angola (Lulo) and Lesotho (Mothae).

The 0.5 million bulk cubic metre per annum Lulo alluvial mine and 1.6 million tonnes per annum (“Mtpa”) Mothae kimberlite mine both produce large and high-value diamonds, with >75% of revenues generated from the recovery of +4.8 carat stones.



The Lulo mine has been mining commercially since 2015 and has produced over twenty +100 carat diamonds to date, including a 404 carat D-colour Type IIa stone, and is the highest average US\$ per carat alluvial diamond producer in the world. Lucapa and its Project Lulo JV partners have also achieved highly encouraging results from their search to discover the primary hard-rock source of the high-value Lulo alluvial diamonds.



The Mothae mine in diamond-rich Lesotho commenced commercial mining in 2019 and has produced five +100 carat diamonds to date, including a 213 carat D-colour Type IIa stone. Lucapa has funded a ~45% expansion in the processing capacity of the Mothae mine, to increase capacity from 1.1 Mtpa to 1.6 Mtpa.



Lucapa has also recently signed a binding agreement to acquire the Merlin tenements and assets in the Northern Territory of Australia. Merlin is well known for being Australia’s large stone producer with significant exploration potential. It consists of two tenements - a 24km² tenement with a mining lease and a 283km² exploration tenement encompassing the Mining Lease, approximately 720km south-east of Darwin, NT. The Mining Lease contains 11 previously discovered kimberlite pipes in three kimberlite clusters with an existing 4.4m carat JORC 2012 resource. The acquisition is subject to the fulfilment of transaction specific and usual conditions precedent.

Lucapa’s Board, management team and strategic investors have decades of diamond industry experience across the globe and right through the diamond pipeline, particularly in extracting value from large and high-quality diamonds.

Competent Person's Statement

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

No New Information

To the extent that this announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement.

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Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) risks associated with mining, exploration, operations, resource, environment, funding and adverse or unanticipated market, financial, currency or political developments.

No responsibility for any errors or omissions from this document arising out of negligence or otherwise is accepted. This document does include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of the Company. Actual values, results, outcomes or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, the Company does not undertake any obligation to update or revise any information.



LUCAPA
DIAMOND COMPANY

Interim Financial Report for the six months ended 30 June 2021



ASX Code: LOM

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The Directors present their report together with the financial report of Lucapa Diamond Company Limited (ASX: **LOM**) for the six months ended 30 June 2021 and the auditor's review report thereon. The Company and its subsidiaries are primarily involved in diamond mining, mining development and exploration projects in Africa and Australia.

1. Directors

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

| Name | Position | Appointment date |
|-------------|---|-------------------|
| M Kennedy | Non-Executive Chairman | 12 September 2008 |
| S Wetherall | Chief Executive Officer/ Managing Director | 13 October 2014 |
| N Selby | Chief Operating Officer/ Executive Director | 4 September 2017 |
| R Stanley | Non-Executive Director | 26 July 2018 |

2. Review of operations

OVERVIEW

Lucapa is a unique fully integrated multi-asset company with assets spanning exploration, evaluation, mine development, production, sales & marketing and cutting & polishing.

Lucapa's Board and management team have decades of global experience across all facets of the diamond industry with companies including De Beers and Gem Diamonds.

Lucapa's high-value production originates from the Mothae mine in Lesotho and the Lulo alluvial mine in Angola. The Company is advancing primary source exploration and evaluation activities on a highly-prospective kimberlite province beneath the mining areas where the large and high-value Lulo alluvial diamonds are being recovered.

Lucapa's vision to become a leading global producer of large and high-quality diamonds from alluvial and kimberlite sources is well advanced. Both Lulo and Mothae produce exceptional, large and high-value diamonds, with more than 75% of rough revenues generated from the recovery of diamonds larger than 4.8 carats.

Lucapa has also successfully advanced through the diamond pipeline and both mines are now generating returns from beyond the mine-gate with its unique polishing partnership with a high-end diamantaire.

In line with Lucapa's growth objective, the Company recently signed binding agreements to acquire the Merlin Diamond Project in the Northern Territory, Australia (refer ASX announcement on 24 May 2021). Lucapa is currently satisfying the conditions precedent in conjunction and progressing Scoping Studies with the goal of bringing Merlin back into commercial production within 24 months and being Australia's largest commercial diamond mine following the closure of Argyle in 2020.

Subsequent to the widely reported challenges facing the diamond industry in recent years, the industry bounced back remarkably well. Diamond demand and prices rose

swiftly post the pandemic low to where rough diamond prices are now at seven-year highs. With the Company ensuring its assets were well maintained during the pandemic lows, taking the opportunity to expand capacities at both mines and reducing overheads where it could, the strong diamond market recovery saw a swift return to profitability, with the Group reporting record profits for the half year.

Highlights for the June half include:

- Attributable cash operating margin (EBITDA) generated of US\$10.3 million (A\$13.5 million);
- Strong operational performances from both Mothae and SML (Lulo) with record volumes, processing rates and large diamond recoveries;
- The diamond market continuing to recover with rough diamond prices increasing ~23%;
- The signing of binding agreements to acquire the Merlin Diamond Project;
- Successful completion of a US\$16.3 million capital raising (A\$21.7m before costs) to fund the Merlin acquisition, expedite exploration programs at Merlin and Project Lulo JV, advance Feasibility Studies and general working capital;
- A strong balance sheet with US\$12.3 million cash on hand as at 30 June 2021 (excluding the US\$7.5 million (before costs) second tranche of the placement subsequently approved by shareholders and received in July 2021);
- Publication of the Group's maiden operating and financial guidance to the ASX with significant growth expected for the CY2021 results following a pandemic affected 2020; and
- The Group is well on track to achieve the upper-end of its attributable cash operating margin (EBITDA) guidance of A\$17 – 21 million for the full year.

Table 1 summarises the Group's attributable share of the June half results of each mining operation as well as pertinent extracts from the CY2021 guidance. Notwithstanding expansion ramp-up limitations at Mothae and a decision to continue mining in certain

lower-grade resource blocks at SML, the sheer quality of the diamond recoveries and rising average selling prices more than compensated for the reduced physicals.

Table1: Summary of Group Half Year Results and Full Year Guidance

| | Group attributable share* | | | | | | Total CY21 guidance range | |
|-------------------------------|---------------------------|---------|-----------|---------------|----------------------|--------|---------------------------|--|
| | Mothae | Lulo | Corporate | Total H1 2021 | % Var H1 21 to H1 20 | | | |
| Tonnes processed [^] | 352,209 | 167,086 | - | 519,295 | 75% | | | |
| Carats recovered | 10,408 | 4,482 | - | 14,890 | 88% | 40,400 | 42,600 | |
| Rough diamond revenue - US\$m | 11.5 | 15.5 | - | 27.0 | 297% | 39 | 44 | |
| EBITDA - US\$m | 3.0 | 8.5 | (1.2) | 10.3 | 657% | 13 | 16 | |
| EBITDA - A\$m | 4.1 | 11.0 | (1.6) | 13.5 | 584% | 17 | 21 | |

* Attributable ownership in projects (including corporate office overhead). This is a non-AIFRS measure. For statutory reporting purposes, Mothae is consolidated and SML is equity accounted based on the Company's respective percentage holding and level of control of each entity.

[^] Lulo volume has been converted from bulked m³ to tonnes.

MOTHAE KIMBERLITE MINE, LESOTHO

(conducted by Mothae Diamonds (Pty) Ltd ("Mothae") - Lucapa 70% and Government of Lesotho ("GoL") 30%)

Mining and operations

Mothae had an improved and successful first half to 2021 with record revenues following the completion of the installation and commissioning of the process plant upgrade. Despite more than a month of production being lost due to COVID-19 related closure and the planned shutdown for the tie-in of the plant upgrades, Mothae achieved an EBITDA profit of US\$4.3 million (A\$5.6 million) for the June half. On a 70% attributable basis, this amounts to US\$3.0 million (A\$4.1 million).

Production was concentrated on the southern lobe of the kimberlite pipe, resulting in the recoveries of high-quality Type IIa D colour stones, including the 213 carat stone in the first quarter of 2021 and an 88 carat stone in the second quarter. The end result being Mothae

generated both record revenues and average selling prices for the first half of 2021.

The successful upgrade of the process plant infrastructure in the first quarter, enabling Mothae to process up to 1.6 million tonnes of ore on an annualised basis, positions the mine well to benefit from the resurgent and well-balanced diamond market.

The strong financial and operational performance of the mine has also enabled Mothae to make capital repayments against the Industrial Development Corporation of South Africa ("IDC") loan as well as intercompany loan repayments to Lucapa amounting to US\$3.0 million.

Table2: Mothae Production Results and Recoveries

| | 100% Project | | | | | 70% Attributable |
|--------------------------------------|--------------|---------|---------|---------|----------------------|------------------|
| | H1 2020 | Q1 | Q2 | H1 2021 | % Var H1 21 to H1 20 | H1 2021 |
| Tonnes processed | 289,012 | 185,497 | 317,658 | 503,155 | 74% | 352,209 |
| Carats recovered | 6,853 | 5,264 | 9,604 | 14,868 | 117% | 10,408 |
| Recovered grade (cpht) | 2.37 | 2.84 | 3.02 | 2.95 | 25% | 2.95 |
| +4.8 carat diamonds recovered | 137 | 96 | 163 | 259 | 89% | 181 |
| +10.8 carat diamonds (Specials) | 38 | 19 | 49 | 68 | 79% | 48 |
| Closing diamond inventories (carats) | 784 | 2,259 | 1,997 | 1,997 | 155% | 1,398 |



Newly expanded Mothae processing plant (left) and relocated camp and mine offices (right)

Diamond sales

Mothae has been operating under the sale and purchase agreement with Safdico, which commenced in the latter part of 2020, and all of its diamond production has been sold into the partnership during 2021.

A total of 20,054 carats were sold for gross proceeds of US\$16.4 million or US\$818 per carat.

Mothae achieved excellent sale results in the first half of 2021 with a number of large high-quality diamonds being sold, including the 215 carat, 101 carat and 88 carat Type

Ila D-colour stones. The continued improvement in the diamond market over the first half of the year also contributed to the record revenues achieved.

Despite the Safidico arrangement still being in its infancy with many of the stones placed in the partnership still being manufactured and/ or yet to be sold, Mothae received its first cutting & polishing returns (US\$0.4 million) during the period, with more expected in the second half of 2021.



Selection of Mothae Special Type Ila D-colour diamonds recovered in H1 2021 (215 carat (left), 88 carat (right))

LULO ALLUVIAL MINE, ANGOLA

(conducted by Sociedade Mineira Do Lulo ("SML") - Lucapa 40% associate, Endiama 32% and Rosas & Petalas 28%)

Mining and operations

SML had an excellent first half to 2021, with a series of production and revenue records. The expanded fleet was able to be fully utilised for the first time following the restricted operations during 2020, brought on by the COVID-19 pandemic. This saw a half year processing record of 245,716 bulked cubic metres achieved, along with record revenue of US\$38.8 million.

For much of the first half of 2021, due to a prolonged wet season, mining was concentrated on the relatively lower grade, but higher value southern terraces, resulting in a lower grade compared to H1 2020. However, following the end of the wet season, mining switched to higher grade leziria (floodplain) areas and this will continue for much of the second half of 2021.

During the first quarter of 2021 and notwithstanding the mining depletion of ~23,700 carats in 2020, the JORC Inferred Mineral Resource estimate was updated to a

new high of 135,900 carats, representing a 35% increase over the 2020 Mineral Resource and exceeding 100,000 carats for the first time. With the diluted gravel volume increased to 2.0 million m³, this Mineral Resource represents at least another 4 years of mining. With much of the Cacuiló valley still to be explored and alluvial drilling continuing, there is excellent potential for the continued expansion of the Mineral Resource for many years to come.

The record half year revenues, generated by both the consistent recovery of large and fancy coloured high-value diamonds and resurgent diamond market, has seen SML report a record EBITDA profit of US\$21.1 million (A\$27.6 million) for the June half. On a 40% attributable basis, this amounts to US\$8.5 million (A\$11.0 million).

The second half of 2021 has started in the same vein, which bodes well with mining being predominantly focussed on the higher grade leziria areas and a much improved and balanced diamond market.

Table 3: Lulo Production Results and Recoveries

| | 100% Project | | | | | 40% Attributable |
|--|----------------|---------|---------|----------------|-------------------------|---------------------|
| | H1 2020 | Q1 | Q2 | H1 2021 | % Var H1 21 to H1 20 | H1 2021 |
| Volume processed (m ³ bulked) | 139,675 | 130,801 | 114,915 | 245,716 | 76% | 98,286 |
| Carats recovered | 7,835 | 4,655 | 6,551 | 11,206 | 43% | 4,482 |
| Recovered grade (cpht) | 5.61 | 3.56 | 5.70 | 4.56 | -19% | 4.56 |
| +4.8 carat diamonds recovered | 222 | 136 | 204 | 340 | 53% | 136 |
| +10.8 carat diamonds (Specials) | 72 | 65 | 79 | 144 | 100% | 58 |
| Closing diamond inventories (carats) | 2,647 | 3,652 | 3,660 | 3,660 | 38% | 1,464 |

Diamond sales

SML held five sales and placed select diamonds on a Sodiam tender during the first half of the year, selling 11,856 carats for gross proceeds of US\$38.8 million or US\$3,275 per carat. Total revenue is a new half year record. The tender in June achieved a total revenue of US\$21.4 million, making it the largest individual sale result in SML's history.

The highly successful cutting & polishing partnership with Safdico continues to yield strong returns,

generating US\$3.0 million for SML as its share of the margins for the half.

The exceptional 15.2 carat heart shaped fancy intense orangy pink polished diamond was showcased in an event at the WA Museum in Perth during the half and the Company looks forward to the onward sale of this spectacular diamond by the partnership in due course.



Lulo Special diamonds sold on tender during the first half 2021

KIMBERLITE EXPLORATION, ANGOLA

(conducted by Project Lulo Joint Venture ("Project Lulo JV") - Lucapa 39%, Endiama 51% and Rosas & Petalas 10%)

The kimberlite exploration activities of the Project Lulo JV continued with the advancement of the program formulated following the technical review in 2019.

A total of 40 core holes (1,468m) were completed during the half. The majority of which were focussed on delineation of the high interest kimberlite pipes in the south of the project area, following completion of the drilling on the targets located in the Canguige catchment area.

Clearing, preparing and building the long access roads suitable for hauling the bulk samples from the kimberlites identified for bulk sampling within the Canguige catchment area, has formed a major part of the 2021 work program.

Two kimberlite bulk samples have been excavated from L028 and L031 and are ready for transport to the Lulo alluvial processing plant. A further four sample sites on

three kimberlites have had overburden removed and are ready for excavation and transport of the samples.

Transport and processing of the samples through the plant will commence in the third quarter.

A kimberlite crushing module was purchased immediately following the recent capital raising and it is expected to arrive on site in latter half of the year. In addition, dedicated kimberlite mining equipment has been identified and when procured will be delivered to site to assist in expediting the bulk sampling process.

Two new kimberlite discoveries were made during the half and designated L440 and L035, (Figure 1). Further investigation of these bodies will be undertaken.

Lucapa continued talks with its Angolan partners to secure a majority stake in the Project Lulo JV. Lucapa believes that securing a majority stake in the 3,000km² kimberlite exploration licence will open up opportunities to expedite the program that aims to identify the primary kimberlite sources of the exceptional alluvial diamonds being mined by SML at Lulo.

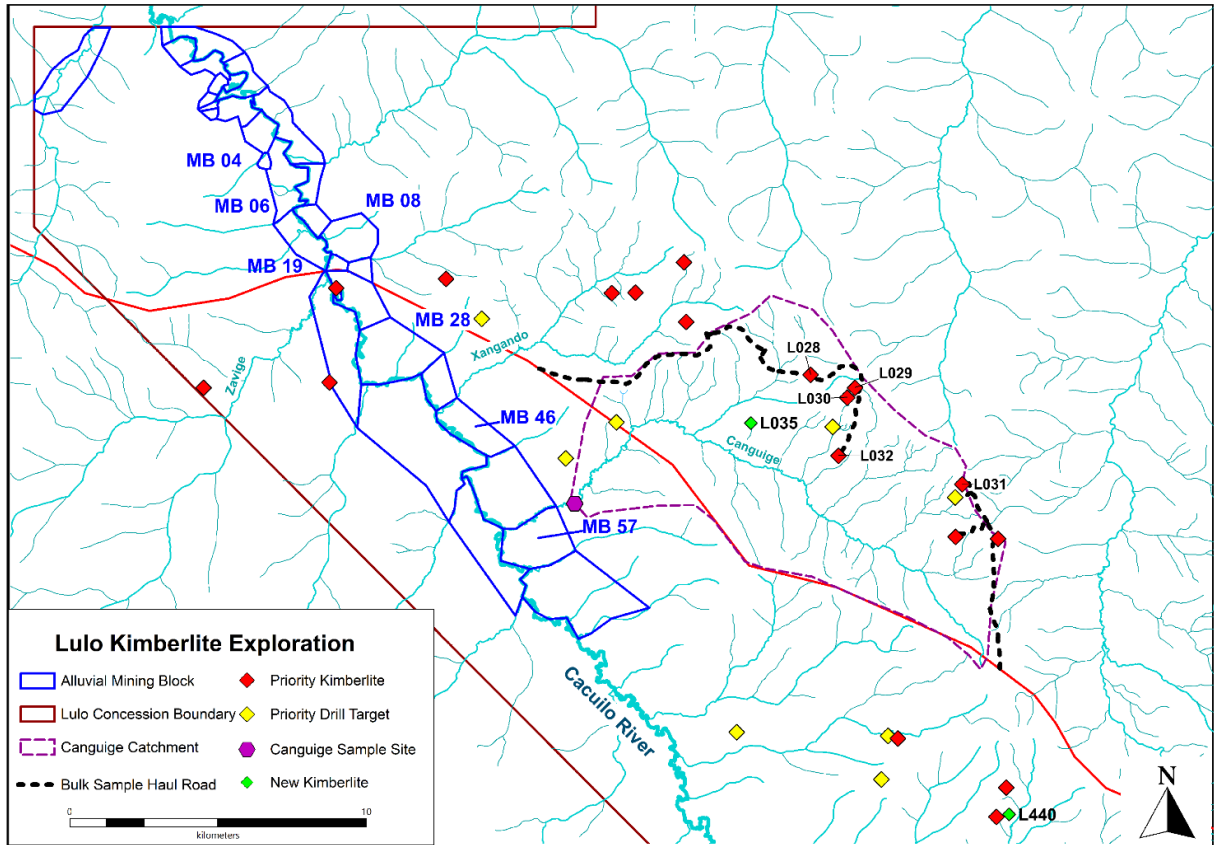


Figure 1: Exploration progress map



Lulo bulk sample excavation at L028 kimberlite during H1 2021

MERLIN DIAMOND PROJECT, NORTHERN TERRITORY, AUSTRALIA

(conducted by Australian Natural Diamonds Pty Ltd ("AND") - Lucapa 100%)

Project Status

On 19 May 2021, Lucapa through its wholly owned subsidiary Australian Natural Diamonds Pty Ltd, entered into a binding Asset Sale Agreement ("ASA") with the liquidators of Merlin Diamonds Limited (In Liquidation) ("Merlin Diamonds") to acquire the Merlin assets, including the mining lease and exploration lease ("Merlin tenements") owned by Merlin Diamonds' wholly owned subsidiary Merlin Operations Pty Ltd ("Merlin Operations").

The completion of the transaction is subject to a number of conditions precedent as part of the ASA, which AND and the liquidators of Merlin Diamonds are working to satisfy.

The Merlin Tenements are located in the Northern Territory of Australia, approximately 720km south-east of Darwin. The Mining Lease contains 11 previously discovered kimberlite pipes in three general kimberlite clusters - Northern, Central and Southern. Two kimberlites have also been discovered on the Orbit Tenement. All kimberlite discoveries to date on the tenements are diamondiferous.

Of the 11 known kimberlites, eight of the kimberlite pipes were mined by Ashton Diamonds and Rio Tinto between 1999 and 2003, producing over 500,000 carats from 2.2 million tonnes of kimberlite treated, including the largest diamond ever recovered in Australia, a 104 carat, high-value Type IIa white diamond (as per Merlin

Diamonds Limited Information Memorandum received from the liquidator in August 2020). The Mining Lease and Orbit Tenement were sold to Merlin Operations in 2004.

The strategic acquisition is highly complementary to Lucapa's existing portfolio, adding a near-term mining development opportunity with an existing 4.4m carat Mineral Resource estimate in Australia that was classified and reported in September 2014 in accordance with the guidelines of the JORC Code ("Resource"). The ~300km² tenement package also comes with significant exploration upside through over 70 unresolved anomalies in areas where all kimberlite discoveries have been diamondiferous.

The cash outlay of ~A\$8.5 million in aggregate represents a very attractive ~A\$2/resource carat multiple on the existing 4.4m carat Mineral Resource.

Lucapa's preliminary modelling indicates the potential for both open-pit (conventional and vertical mining) and underground developments. AND is already furthering detailed independent studies and post the half year end has been appointed as the operator of the Merlin tenements by the liquidators, which will enable the geotechnical drilling to start immediately after the approval of the updated Mine Management Plan submitted to the NT Department for Industry and Trade.

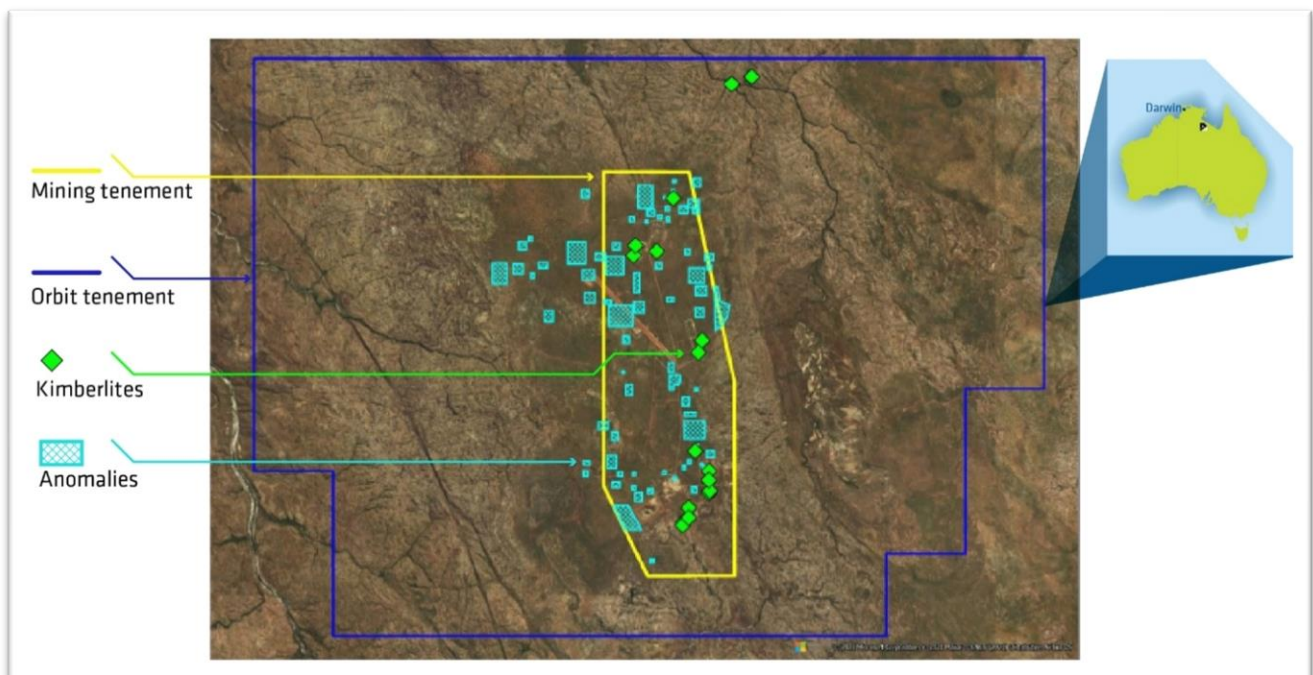


Figure 2: Location of the Merlin Mining Lease and Orbit Exploration Licence in the Northern Territory, Australia

BROOKING EXPLORATION, WESTERN AUSTRALIA

No field work was undertaken at the Brooking Project during the period. The next phase of exploration will seek to confirm whether the other targets identified during the 2020 field program are lamproites.

ORAPA EXPLORATION, BOTSWANA

No field work was undertaken at the Orapa Area F project during the period. An application for extension of the prospecting license has been submitted and the next phase of exploration will confirm whether the identified drill targets at Orapa are kimberlites.

CORPORATE

During the June half, the Company completed capital raisings through a US\$15.1 million (A\$20 million before costs) placement to sophisticated and institutional investors at an issue price of A\$0.05 per share and a share purchase plan raising an additional US\$1.3 million (A\$1.7 million) at the same price. The second tranche of the placement amounting to US\$7.5 million (A\$10.2 million before costs) was subject to shareholder approval, which was subsequently obtained at a general meeting on 13 July 2021.

During the June half, 1,301,000 \$0.44 unlisted options exercisable on or before 7 June 2021 expired without exercise.

Corporate costs for the June half amounted to US\$1.2 million (A\$1.6 million).

SCHEDULE OF TENEMENTS

| Schedule of Tenements as at 30 June 2021 | | | | | |
|--|---|-------------------------|----------|--------------|----------------------|
| Country | Type | Size (km ²) | Period | Interest (%) | End date |
| Angola | Exploration (primary) Kimberlite | 3,000 | 5 years | 39 | 05/2024 |
| Angola | Mining (secondary) and Exploration Alluvial | 1,500 | 10 years | 40 | 07/2025 |
| Lesotho | Mining Licence | 47 | 10 years | 70 | 01/2027 |
| Botswana | Reconnaissance | 8 | 2 years | 100 | 09/2020 ¹ |
| Australia | Exploration Licence | 72 | 2 years | 80 | 12/2022 |
| Australia | Exploration Licence | 13 | 5 years | 80 | 03/2024 |
| Australia | Exploration Licence | 29 | 5 years | 80 | 06/2022 |
| Australia | Exploration Licence | 3 | 5 years | 80 | 06/2023 |

¹ Application for extension has been submitted

3. Financial position

As a result of the strong operational performance of the Company's operating mines, the recovery in the global diamond market positively impacting diamond prices, the debt restructuring implemented in 2020 and the capital raising conducted as a consequence to the Merlin diamond project acquisition, the Group's working capital position has improved significantly during the current half year.

The Group recorded a profit after tax of US\$5.7 million for the June half (H1 2020: loss after tax of US\$12.7 million after accounting for a significant foreign exchange translation loss). Both SML and Mothae reported record trading results following mining and processing capacity increases and the recovery in the diamond market during the period.

The table below reconciles the attributable US\$10.3 million (A\$13.5 million) EBITDA for the June half to the reported Operating profit as per the Consolidated interim

statement of profit or loss and other comprehensive income:

| | US\$m | A\$m |
|--|-------------|-------------|
| Operating profit as per statement of profit or loss | 6.7 | 8.7 |
| Adjust for non-attributable entries: | | |
| Mothae -30% outside share | (1.3) | (1.7) |
| Add back non-cash items: | | |
| AASB16 & foreign exchange translati | (1.4) | (1.8) |
| Mothae and LOM depreciation | 2.7 | 3.5 |
| SML depreciation, tax and fair value adjustments | 3.6 | 4.7 |
| Attributable EBITDA | 10.3 | 13.5 |
| Made up as follows: | | |
| Lulo | 8.5 | 11.0 |
| Mothae | 3.0 | 4.1 |
| LOM & Other | (1.2) | (1.6) |

The Group had a cash balance of US\$12.3 million at 30 June 2021 (31 December 2020: US\$4.1 million), while SML (which is treated as an associate and not consolidated into Lucapa's accounts in accordance with AIFRS) held US\$22.9 million in cash and receivables.

Group net assets as at 30 June 2021 amounted to US\$83.9 million (31 December 2020: US\$70.3 million).

The Board of Directors have considered the financial position and prospects of the Group as set out in the basis of preparation of the financial statements and are satisfied that the going concern basis of preparation of the financial statements is appropriate.

4. Auditor independence declaration

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

ELDERTON

AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2021 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel
Audit Director

Perth
10 September 2021

Limited liability by a scheme approved under Professional Standards Legislation

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



MILES KENNEDY

Chairman

Dated this 10th September 2021.

Corporate information

Lucapa Diamond Company Limited is a company domiciled and incorporated in Australia. The address of the Company's registered office is 34 Bagot Road, Subiaco 6008, Western Australia.

The Company, its subsidiaries and associates are primarily involved in the exploration, evaluation, development, mining and sale of rough and polished diamonds in projects across Africa and Australia.

Basis of preparation

Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual financial report of the Company as at and for the year ended 31 December 2020.

The basis of preparation of the interim financial report is set out below and was authorised for issue by the Board of Directors on the date of the Directors' report.

Basis of measurement

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

Going concern

As detailed in the Directors' report, the Group recorded a profit after tax of US\$5.7 million for the June half (H1 2020: loss after tax of US\$12.7 million after accounting for a significant translation loss). Both SML and Mothae reported record trading results following mining and

processing capacity increases and an overall recovery in the global diamond market during the period.

As at 30 June 2021, the Group's assets exceeded its liabilities by US\$83.9 million (31 December 2020: US\$70.3 million).

The Directors believe that the going concern basis is appropriate for the following reasons:

- The duration and full impact of the COVID-19 pandemic is still unknown, however the diamond market has rebounded strongly resulting in diamond prices returning to higher than pre-pandemic levels;
- The book value of the Group's assets exceeds its liabilities by US\$83.7 million;
- The Group has historically been successful in raising equity and under ASX Listing Rule 7.1 the Company has the capacity to place securities to raise equity: and
- The Group has been successful in restructuring and raising debt facilities and continues to review a number of proposed financing opportunities.

| Consolidated interim statement of profit or loss and other comprehensive income | | | |
|--|-------------|--------------------------------|--------------------------------|
| for the six months ended 30 June 2021 | | | |
| | Note | 30 Jun 2021 US\$000 | 30 Jun 2020 US\$000 |
| Revenue | 2 | 16,780 | 4,156 |
| Cost of sales | 3 | (13,014) | (5,390) |
| Gross profit | | 3,766 | (1,234) |
| Share of profit/ (loss) of associate | 7 | 4,830 | (1,050) |
| Royalties and selling expenses | | (809) | (283) |
| Corporate expenses | 3 | (1,920) | (934) |
| Share-based payments | 10 | - | (20) |
| Foreign exchange (loss)/ gain | | 790 | (6,542) |
| Operating profit/ (loss) | | 6,657 | (10,063) |
| Finance cost | | (1,860) | (1,885) |
| Finance income | | 15 | 2 |
| Fair value adjustments | | 917 | (760) |
| Profit/ (loss) before income tax | | 5,729 | (12,706) |
| Income tax expense | | (36) | (13) |
| Profit/ (loss) after income tax | | 5,693 | (12,719) |
| Other comprehensive (loss)/ income | | (354) | 2,084 |
| Total comprehensive profit/ (loss) for the year | | 5,339 | (10,635) |
| Profit attributable to: | | | |
| Owners of the Company | | 5,420 | (9,505) |
| Non-controlling interests | | 273 | (3,214) |
| | | 5,693 | (12,719) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 5,154 | (8,061) |
| Non-controlling interests | | 185 | (2,574) |
| | | 5,339 | (10,635) |
| Earnings/ (loss) per share | | Cents | Cents |
| Basic earnings/ (loss) per share (cents) | 4 | 0.64 | (1.85) |
| Diluted earnings/ (loss) per share (cents) | 4 | 0.64 | (1.84) |

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated interim statement of financial position

as at 30 June 2021

| | Note | 30 Jun 2021 US\$000 | 31 Dec 2020 US\$000 |
|---|------|------------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | | 12,342 | 4,136 |
| Trade and other receivables | | 2,846 | 1,737 |
| Contract assets | | 300 | - |
| Inventories | | 1,584 | 4,965 |
| Total current assets | | 17,072 | 10,838 |
| Property plant and equipment | 5 | 63,420 | 62,037 |
| Non-current financial assets | 6 | 23,094 | 22,739 |
| Investment in associate | 7 | 9,302 | 4,472 |
| Total non-current assets | | 95,816 | 89,248 |
| Total assets | | 112,888 | 100,086 |
| Liabilities | | | |
| Trade and other payables | 8 | 4,961 | 4,224 |
| Current borrowings | 9 | 13,504 | 4,755 |
| Total current liabilities | | 18,465 | 8,979 |
| Provision for rehabilitation | | 1,263 | 1,105 |
| Non-current borrowings | 9 | 9,233 | 19,672 |
| Deferred tax liabilities | | 43 | 43 |
| Total non-current liabilities | | 10,539 | 20,820 |
| Total liabilities | | 29,004 | 29,799 |
| Net assets | | 83,884 | 70,287 |
| Equity | | | |
| Share capital | 10 | 138,072 | 129,716 |
| Reserves | | (5,963) | (5,102) |
| Accumulated losses | | (43,914) | (49,831) |
| Equity attributable to owners of the Company | | 88,195 | 74,783 |
| Non-controlling interests | | (4,311) | (4,496) |
| Total equity | | 83,884 | 70,287 |

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity
 for the six months ended 30 June 2021

| | Issued capital US\$000 | Share based payments reserve US\$000 | Foreign currency translation US\$000 | Accumulated losses US\$000 | Total US\$000 | Non-controlling interests US\$000 | Total equity US\$000 |
|--|---------------------------|---|---|----------------------------------|------------------|---|-------------------------|
| Balance at 1 January 2020 | 116,888 | 1,044 | (5,594) | (42,856) | 69,482 | (1,953) | 67,528 |
| Comprehensive income for the period | | | | | | | |
| Loss for the period | - | - | - | (9,505) | (9,505) | (3,214) | (12,719) |
| Other comprehensive income | - | - | 1,444 | - | 1,444 | 640 | 2,084 |
| Total comprehensive loss for the period | - | - | 1,444 | (9,505) | (8,061) | (2,574) | (10,635) |
| Transactions with owners, in their capacity as owners | | | | | | | |
| Issue of share capital | 5,576 | - | - | - | 5,576 | - | 5,576 |
| Issue of options | - | 79 | - | - | 79 | - | 79 |
| Expiry of options | - | (398) | - | 227 | (171) | - | (171) |
| Transfer of reserves on exercise of options | - | (57) | - | - | (57) | - | (57) |
| Share issue expenses | (194) | - | - | - | (194) | - | (194) |
| Total transactions with owners | 5,382 | (376) | - | 227 | 5,233 | - | 5,233 |
| Balance at 30 June 2020 | 122,270 | 668 | (4,150) | (52,134) | 66,654 | (4,527) | 62,126 |
| Balance at 1 January 2021 | 129,716 | 831 | (5,933) | (49,831) | 74,783 | (4,496) | 70,287 |
| Comprehensive income for the period | | | | | | | |
| Profit for the period | - | - | - | 5,420 | 5,420 | 273 | 5,693 |
| Other comprehensive loss | - | - | (266) | - | (266) | (88) | (354) |
| Total comprehensive loss for the period | - | - | (266) | 5,420 | 5,154 | 185 | 5,339 |
| Transactions with owners, in their capacity as owners | | | | | | | |
| Issue of share capital | 8,843 | - | - | - | 8,843 | - | 8,843 |
| Expiry of options | - | (595) | - | 497 | (98) | - | (98) |
| Share issue expenses | (487) | - | - | - | (487) | - | (487) |
| Total transactions with owners | 8,356 | (595) | - | 497 | 8,258 | - | 8,258 |
| Balance at 30 June 2021 | 138,072 | 236 | (6,199) | (43,914) | 88,195 | (4,311) | 83,884 |

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated interim statement of cash flows

for the six months ended 30 June 2021

| | 30 Jun 2021 | 30 Jun 2020 |
|--|--------------------|--------------------|
| | US\$000 | US\$000 |
| Cash flows from operating activities | | |
| Receipts from products and related debtors | 16,466 | 4,222 |
| Cash paid to suppliers and employees | (10,849) | (5,450) |
| Interest and finance cost | (1,135) | (750) |
| Interest received | 15 | 2 |
| Net cash generated from/ (used in) operating activities | 4,497 | (1,976) |
| Cash flows from investing activities | | |
| Payments for exploration costs | (498) | (96) |
| Payments for property plant and equipment | (2,424) | (78) |
| Net cash used in investing activities | (2,922) | (174) |
| Cash flows from financing activities | | |
| Proceeds from issue of share capital | 8,843 | 5,520 |
| Share issue costs | (521) | (306) |
| Repayment of borrowings | (2,216) | (284) |
| Proceeds from borrowings | 760 | - |
| Net cash generated from financing activities | 6,866 | 4,930 |
| Net increase in cash and cash equivalents | 8,441 | 2,780 |
| Cash and cash equivalents at beginning of period | 4,136 | 1,705 |
| Exchange loss on foreign cash balances | (235) | (24) |
| Cash and cash equivalents at end of period | 12,342 | 4,461 |

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes. Refer Note 10 for details on non-cash financing and investing activities.

1. Segment reporting

Overview

| | Exploration & Evaluation | | | Mining | | Corporate & other | Total |
|----------------------------------|-------------------------------|---------------------|----------------------|-------------------|--------------------|----------------------|----------|
| | Angola US\$000 | Botswana US\$000 | Australia US\$000 | Angola US\$000 | Lesotho US\$000 | Australia US\$000 | US\$000 |
| Period ended 30 June 2021 | Profit or loss | | | | | | |
| External revenue | - | - | - | - | 16,780 | - | 16,780 |
| Inter-segment | - | - | - | - | - | - | - |
| Total revenue | - | - | - | - | 16,780 | - | 16,780 |
| Depreciation | - | - | - | 86 | 2,573 | 42 | 2,701 |
| Share-based payments | - | - | - | - | 5 | (5) | - |
| Segment operating profit/ (loss) | - | - | - | 4,744 | 3,188 | (1,275) | 6,657 |
| Net finance (costs)/ income | - | - | - | - | (2,732) | 887 | (1,845) |
| Profit/ (loss) before income tax | - | - | - | 5,577 | 456 | (304) | 5,729 |
| Other segment information | | | | | | | |
| Capital expenditure | 987 | 3 | 26 | - | 2,167 | 282 | 3,465 |
| As at 30 June 2021 | Assets and liabilities | | | | | | |
| Segment assets | 19,505 | 169 | 2,116 | 33,493 | 45,886 | 11,719 | 112,888 |
| Segment liabilities | - | - | - | - | 13,345 | 15,659 | 29,004 |
| Inter-segment loans | - | 144 | 2,053 | - | 37,531 | (39,728) | - |
| Period ended 30 June 2020 | Profit or loss | | | | | | |
| External revenue | - | - | - | - | 4,129 | 27 | 4,156 |
| Inter-segment | - | - | - | - | - | - | - |
| Total revenue | - | - | - | - | 4,129 | 27 | 4,156 |
| Depreciation | - | - | - | 74 | 1,267 | 51 | 1,392 |
| Share-based payments | - | - | - | - | 19 | 1 | 20 |
| Segment operating loss | - | - | - | (1,124) | (8,325) | (613) | (10,063) |
| Net finance (costs)/ income | - | - | - | - | (2,674) | 791 | (1,883) |
| (Loss)/ profit before income tax | - | - | - | (1,930) | (11,000) | 224 | (12,706) |
| Other segment information | | | | | | | |
| Capital expenditure | 1,705 | 6 | 185 | - | 2,724 | 429 | 5,049 |
| As at 31 December 2020 | Assets and liabilities | | | | | | |
| Segment assets | 18,518 | 198 | 2,184 | 28,394 | 46,692 | 4,100 | 100,086 |
| Segment liabilities | - | - | - | - | 13,386 | 16,413 | 29,799 |
| Inter-segment loans | - | 144 | 2,026 | - | 38,466 | (40,636) | - |

Further information

The Group engages in business activities within the following business segments: exploration & evaluation projects in Angola, Botswana and Australia, mining in Angola and Lesotho and corporate and other administrative functions in Western Australia to support and promote its activities.

2. Revenue

| | 30 Jun 2021 US\$000 | 30 Jun 2020 US\$000 |
|--|------------------------|------------------------|
| Revenue from contracts with customers | | |
| Sale of goods | 16,780 | 4,156 |
| | 16,780 | 4,156 |

3. Expenses

| | Note | 30 Jun 2021 US\$000 | 30 Jun 2020 US\$000 |
|---|------|------------------------|------------------------|
| Breakdown of expenses by nature | | | |
| Raw materials, consumables and other input costs | | 4,490 | 2,081 |
| Changes in inventories of finished goods and work in progress | | 3,609 | 603 |
| Employee benefits expenses (excluding share based payments) | | 3,558 | 2,110 |
| Depreciation and amortisation | | 2,701 | 1,392 |
| Auditors remuneration | | 19 | 19 |
| Mining and short term leases | | 68 | 71 |
| Consulting fees and other administrative expenses | | 488 | 48 |
| Total cost of sales and corporate expenses | | 14,934 | 6,324 |
| Employee benefits expenses | | | |
| Wages, salaries and director remuneration | | 3,429 | 2,053 |
| Superannuation costs | | 61 | 43 |
| Share-based payments | 10 | - | 20 |
| Other associated employee expenses | | 68 | 14 |
| | | 3,558 | 2,130 |

4. Earnings/ (loss) per share

| | 30 Jun 2021 | 30 Jun 2020 |
|--|----------------|----------------|
| | Cents | Cents |
| Basic earnings/ (loss) per share (cents per share) | 0.64 | (1.85) |
| Diluted earnings/ (loss) per share (cents per share) | 0.64 | (1.84) |
| | US\$000 | US\$000 |
| Earnings/ (loss) used in calculating earnings per share | | |
| Earnings/ (loss) attributable to members of the Company used in calculating basic earnings per share | 5,420 | (9,505) |
| Earnings/ (loss) attributable to members of the Company used in calculating diluted earnings per share | 5,420 | (9,505) |
| | Number | Number |
| Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share | 849,422,846 | 514,363,968 |
| Weighted average number of ordinary shares outstanding during the period used in calculation of diluted earnings per share | 849,913,109 | 515,553,519 |

5. Property plant and equipment

Overview

| | Deferred exploration and evaluation US\$000 | Mine development US\$000 | Plant and equipment US\$000 | Stripping activity assets US\$000 | Decommissioning assets US\$000 | Right-of-use assets US\$000 | Other assets US\$000 | Total US\$000 |
|--|--|--------------------------------|-----------------------------------|--|--------------------------------------|-----------------------------------|----------------------------|------------------|
| Cost | | | | | | | | |
| Balance at 1 January 2020 | 21,635 | 19,301 | 20,194 | 183 | 153 | 389 | 1,633 | 63,488 |
| Additions | 1,561 | 66 | 712 | - | 10 | 2,889 | 51 | 5,289 |
| Disposals | - | - | - | - | - | - | (3) | (3) |
| Foreign currency movements | 69 | (303) | (806) | (9) | (5) | 380 | (63) | (737) |
| Balance at 31 December 2020 | 23,265 | 19,064 | 20,100 | 174 | 158 | 3,658 | 1,618 | 68,037 |
| Additions | 953 | 1,483 | 695 | - | 80 | - | 191 | 3,402 |
| Disposals | - | - | - | - | - | - | - | - |
| Foreign currency movements | (3) | 182 | 478 | 5 | 5 | 78 | 41 | 786 |
| Balance at 30 June 2021 | 24,215 | 20,729 | 21,273 | 179 | 243 | 3,736 | 1,850 | 72,225 |
| Accumulated depreciation | | | | | | | | |
| Balance at 1 January 2020 | - | 1,168 | 1,245 | 74 | 10 | 86 | 335 | 2,918 |
| Amortisation/ depreciation charge for the year | - | 941 | 564 | 93 | 10 | 1,046 | 268 | 2,922 |
| Disposals | - | - | - | - | - | - | - | - |
| Foreign currency movements | - | 23 | 3 | 7 | - | 110 | 17 | 160 |
| Balance at 31 December 2020 | - | 2,132 | 1,812 | 174 | 20 | 1,242 | 620 | 6,000 |
| Amortisation/ depreciation charge for the year | - | 394 | 1,548 | - | 6 | 592 | 161 | 2,701 |
| Disposals | - | - | - | - | - | - | - | - |
| Foreign currency movements | - | 21 | 34 | 5 | 1 | 29 | 14 | 104 |
| Balance at 30 June 2021 | - | 2,547 | 3,394 | 179 | 27 | 1,863 | 795 | 8,805 |
| Net carrying amounts | | | | | | | | |
| At 31 December 2020 | 23,265 | 16,932 | 18,288 | - | 138 | 2,416 | 998 | 62,037 |
| At 30 June 2021 | 24,215 | 18,182 | 17,879 | - | 216 | 1,873 | 1,055 | 63,420 |

5. Property plant and equipment (continued)

Further information

Deferred exploration and evaluation costs

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

The Group has a 39% interest in the Project Lulo Kimberlite Exploration Joint Venture ("the JV"), an unincorporated entity classified as a joint operation that operates under the terms of a Mineral Investment Contract entered into between the partners. The Group is responsible for the upfront funding of the exploration costs. Accordingly, the Group's interest in the assets, liabilities, revenues and expenses attributable to the JV have been included in the appropriate line items in the consolidated financial statements. Deferred exploration

and evaluation costs of US\$19.5 million (31 December 2020: US\$18.5 million) in the schedule above are related to the JV.

In light of the COVID-19 pandemic and its impact on the global economy and the diamond industry, a review of the Deferred exploration and evaluation assets has been performed to determine if any impairment loss should be recognised based on the relevant facts and circumstances. No adjustment has been required or recognised in terms of this during the period.

Other assets

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

6. Non-current financial assets

Overview

| | 30 Jun 2021 US\$000 | 31 Dec 2020 US\$000 |
|---|------------------------|------------------------|
| Non-current financial assets | | |
| Receivable in respect of SML | | |
| At 1 January | 29,415 | 30,260 |
| Investment during the period | 40 | 63 |
| Transferred to Deferred exploration and evaluation costs for Kimberlite Joint Venture | (518) | (908) |
| | 28,937 | 29,415 |
| Fair value adjustment due to discounting | (5,843) | (6,676) |
| At end of period | 23,094 | 22,739 |

Further information

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

Significant unobservable inputs are the timing and amounts of future repayments which are based on the expected cash flows per the Company's forecast model

for SML. Sensitivity factors which could impact the valuation include operational recoveries, diamond prices and delays in the timing of repayments which will decrease the fair value estimate. A discount rate of 12.07% (2020: 12.85%) has been applied in the fair value calculation.

7. Investment in associate

Overview

| | 30 Jun 2021 US\$000 | 31 Dec 2020 US\$000 |
|---|--------------------------------|--------------------------------|
| Summarised financial information of SML | | |
| Current assets | 31,797 | 16,340 |
| Non-current assets | 22,418 | 22,598 |
| Current liabilities | 13,495 | 10,648 |
| Non-current liabilities | 23,094 | 22,739 |
| Equity | 17,626 | 5,551 |
| Group's carrying amount of the investment | 9,302 | 4,472 |
| | 30 Jun 2021 US\$000 | 30 Jun 2020 US\$000 |
| Revenue | 40,541 | 9,753 |
| Cost of sales | (15,620) | (11,210) |
| Administrative and selling expenses | (7,441) | (3,977) |
| Fair value adjustments | (833) | 806 |
| Profit/ (loss) before tax | 16,647 | (4,628) |
| Income tax expense | (4,572) | 2,002 |
| Profit/ (loss) for the period | 12,075 | (2,626) |
| Total comprehensive income / (loss) for the period | 12,075 | (2,626) |
| Group's share of profit/ (loss) for the period | 4,830 | (1,050) |
| EBITDA | 21,145 | (1,500) |

Further information

The Group has a 40% interest in SML and has recognised its share of SML's results since its formal incorporation in May 2016. The earnings of SML include fair value

adjustments in relation to the discounting of the financial asset of Lucapa reflected under note 6.

8. Trade and other payables

Overview

| | 30 Jun 2021 US\$000 | 31 Dec 2020 US\$000 |
|--|------------------------|------------------------|
| Trade payables | 1,287 | 1,471 |
| Mothae deferred purchase consideration | 1,125 | 1,125 |
| Accruals and other payables | 2,549 | 1,628 |
| Total | 4,961 | 4,224 |

Further information

In addition to the above payables, the Group is committed to the payment of US\$6.4 million (A\$8.5 million) for the acquisition of the Merlin diamond project, which is payable upon fulfilment of the conditions precedent per the acquisition agreement.

9. Borrowings

Overview

| | 30 Jun 2021 US\$000 | 31 Dec 2020 US\$000 |
|--|------------------------|------------------------|
| Current borrowings | | |
| Lease liabilities | 1,474 | 1,234 |
| Other short-term loans | 12,030 | 3,521 |
| Total | 13,504 | 4,755 |
| Non-current borrowings | | |
| Lease liabilities | 515 | 1,304 |
| Other non-current loans | 7,759 | 17,325 |
| Other non-current loans - Embedded derivatives | 959 | 1,043 |
| Total | 9,233 | 19,672 |

Further information

Lease liabilities

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

- Mining equipment and plant at Mothae, leased at monthly payments of ZAR1.6m (US\$0.9 million) until December 2022; and
- Various lease contracts for office space, office and other equipment used in its operations. Lease terms vary between 2 and 3 years.

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

Other loans

The loan amounts reflect the balances due to Equigold, IDC and New Azilian. The terms of the loans include the following:

Equigold

- Loan facility of US\$4.7 million (2020: US\$5.9 million facility fully utilised);
- The principal balance is repayable in four quarterly payments of US\$1.2 million commencing October 2022;
- Market related fees payable on draw down and with interest payments;
- Equigold, at its election, can convert the last two quarterly payments into ordinary shares in the Company at the then market price;
- Interest is payable at 9.75% pa;
- Quarterly interest and fees can be converted into ordinary shares in the Company at the then market price on the following basis:
 - Fifty percent of the quarterly amount at Lucapa's election; and

- Fifty percent of the quarterly amount at Lucapa's election after agreement with Equigold;

- The loan is secured by way of a General Security Deed granted by Lucapa in favour of the lender over collateral consisting of the Company's investment in and loan to Mothae Diamonds (Pty) Ltd.

IDC

- Total loan facility of ZAR97.5 million (US\$6.8 million) (2020: ZAR100 million (US\$7.3 million)), fully utilised at the end of the period;
- The capital balance is repayable in eight quarterly payments from July 2021;
- Interest is payable quarterly based on JIBAR plus 8.6%;
- The loan is secured by way of:
 - Bonds over Mothae's movable assets, diamond treatment facility and ancillary equipment;
 - Mortgage over the mining right and the land right granted under the mining agreement;
 - A 70% proportional guarantee by Lucapa of all amounts due and payable;
 - A subordination of Lucapa's shareholder claims in and loans to Mothae, back ranking to the Equigold loan agreement;
 - A pledge and session by Lucapa of its shares in Mothae and a cession of all its loans and claims against Mothae, once such are released by Equigold;
 - A cession of insurance policies and proceeds thereof with the Lender's interest noted thereon;
 - Certain negative pledges.
- Certain financial covenants to be maintained.

9. Borrowings (continued)

New Azilian

- New Azilian is an entity associated with Non-Executive Director Ross Stanley;
- Loan facility of A\$11.1 million (US\$8.4 million) (2020: A\$10.4 million (US\$8.0 million)), fully utilised at the end of the period;
- The principal balance is repayable in February 2022;
- Interest is payable quarterly at 9.8 % pa;
- Lucapa has the election to pay 70% of the annual interest payment in shares at the higher of:
 - the lowest daily VWAP of trading in the immediately preceding 15 days prior to the conversion date; and
 - A\$0.05 or such other fixed floor price as is agreed between the parties.

- The loan is secured by way of a General Security Deed granted by Lucapa in favour of the lender over collateral consisting of all of the Company's present and after acquired property, undertaking and rights, excluding the Company's investment in and loan to Mothae.

Embedded derivative

Equigold – embedded derivative in relation to last two quarterly payments (US\$2.5 million) has been recognised at fair value, using a Black Scholes valuation with the following inputs:

- LOM share price at measurement date: A\$0.05 (2020: A\$0.057);
- Exercise price: A\$0.047 (2020: A\$0.54);
- Estimated volatility: 68% (2020: 67%);
- Expiry date: 1 Apr 2023/1 Jul 2023;
- Risk-free interest rate: 1.34% (2020: 1.01%).

10. Share capital and share-based payments

Overview

| | 30 Jun 2021 | |
|---|----------------------|----------------|
| | Number | US\$000 |
| Listed securities | | |
| Movement in ordinary shares (ASX code: LOM) | | |
| On issue at beginning of period | 833,175,575 | 129,716 |
| Issue of shares | 228,334,788 | 8,843 |
| Transaction costs | - | (487) |
| On issue at end of period | 1,061,510,363 | 138,072 |
| Movement in listed options (ASX code: LOMOC) | | |
| On issue at beginning of period | 113,971,605 | - |
| Issue of options | - | - |
| Exercise of options | - | - |
| Expiry of options | - | - |
| On issue at end of period | 113,971,605 | - |
| Unlisted securities | | |
| Movement in unlisted options (A\$0.08 exercise price; expire 18 December 2022) | | |
| On issue at beginning of period | 54,824,075 | - |
| Issue of options | - | - |
| Exercise of options | - | - |
| Expiry of options | - | - |
| On issue at end of period | 54,824,075 | - |

Further information

Terms and conditions

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

Share-based payments

| | 30 Jun 2021 | 31 Dec 2020 |
|--|----------------|----------------|
| Weighted average remaining contractual life of share options and performance rights in issue (years) | 1.22 | 1.63 |
| Weighted average Lucapa share price during the period/ year (A\$) | 0.06 | 0.063 |
| | US\$000 | US\$000 |
| Share-based payment recognised | | |
| Profit or Loss | | |
| Director and employee options | - | 47 |
| Non-cash financing and investing activities | | |
| Share issue expenses | - | 125 |
| Loan funding | - | 670 |
| | - | 842 |

10. Share capital and share-based payments (continued)

Share-based payments (continued)

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

| | Share options | | | Performance rights | Weighted average price (A\$) |
|--|---------------|--------------------|-------------------|--------------------|------------------------------|
| | Unlisted | ASX listed (LOMOC) | Unlisted | Unlisted | |
| Exercise price (A\$) | \$0.44 | \$0.10 | \$0.08 | \$0.00 | |
| Expiry date | 07-Jun-21 | 05-Jun-22 | 18-Dec-22 | 01-Apr-22 | |
| Number on issue at beginning of period | 1,301,000 | 8,869,083 | 10,754,545 | 490,263 | 0.11 |
| Expiry/ lapsing of options/ performance rights | (1,301,000) | - | - | (57,960) | 0.42 |
| On issue at end of period | - | 8,869,083 | 10,754,545 | 432,303 | 0.09 |
| Exercisable at end of period | - | 8,869,083 | 10,754,545 | 432,303 | |

11. Events subsequent to reporting date

On 21 July 2021, Lucapa announced that it had completed the issue of 204,745,212 fully paid ordinary shares at an issue price of \$0.05 and 5,000,000 advisor options (unlisted \$0.08 options, expiring 30 July 2025), as part of the placement to raise approximately \$20 million (before costs), as announced on 24 May 2021, following shareholder approval at the general meeting held 13 July 2021.

On 21 July 2021, Lucapa announced that it had issued 432,303 fully paid ordinary shares in relation to retention incentives held by senior mine management. This

follows the exercise of the third tranche of vested performance rights expiring 1 April 2022.

On 10 August 2021, Lucapa released its preliminary interim financial results and presentation.

On 1 September 2021, Lucapa released its presentation for the Africa Down Under conference.

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

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

(a) the financial statements and notes, as set out on pages 12 to 26, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial period ended on that date;

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Directors.



MILES KENNEDY
Chairman

Dated this 10th September 2021

ELDERTON

AUDIT PTY LTD

Independent Auditor's Review Report

To the members of Lucapa Diamond Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lucapa Diamond Company Limited, which comprises the consolidated condensed statement of financial position as at 30 June 2021, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Lucapa Diamond Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lucapa Diamond Company Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Limited liability by a scheme approved under Professional Standards Legislation

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lucapa Diamond Company Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel

Audit Director

Perth

10 September 2021

| | |
|-----------------------------------|--|
| | |
| A\$ | Australian dollar |
| AIFRS | Australian International Financial Reporting Standards |
| AND | Australian Natural Diamonds Pty Ltd (Lucapa 100% held subsidiary; registered in Australia) |
| EBITDA | Earnings before interest, taxation, depreciation & amortisation and other non-trading items EBITDA is a non-AIFRS measure |
| Endiama | Endiama E.P. (Angola's national diamond mining company) |
| Equigold | Equigold Pte Ltd (registered in Singapore) |
| GoL | Government of the Kingdom of Lesotho |
| JIBAR | Johannesburg Interbank Agreed Rate |
| June half, the Half or H1 | The six months ended 30 June |
| LTI | Lost time injury |
| Lucapa, the Company or LOM | Lucapa Diamond Company Limited (ASX code: LOM) |
| Merlin Project | The tenements and assets in the process of being acquired from Merlin Diamonds Limited (in liquidation) |
| Mothae | Mothae Diamonds (Pty) Ltd (Lucapa 70% held subsidiary; registered in the Kingdom of Lesotho) |
| New Azilian | New Azilian Pty Ltd |
| Rosas & Petalas | Rosas & Petalas S.A. (Private venture partner in Lulo, registered in the Republic of Angola) |
| QX 20XX | Reference to one of the quarter periods in each of the calendar years of 2020 or 2021 |
| Safdico | Safdico International, a subsidiary of Graff International |
| SFD | Size frequency distribution |
| SML | Sociedade Mineira Do Lulo Lda, (Lucapa 40% held associate; registered in the Republic of Angola) |
| the Board | The Lucapa Board of Directors |
| the Group | The Company and its subsidiaries and associates |
| the IDC | the Industrial Development Corporation of South Africa Limited |
| the Second Half or H2 | The six months ended/ ending 31 December |
| US\$ | United States dollar |
| VK | Volcaniclastic kimberlite |
| Z Star | Z Star Mineral Resource Consultants Pty Ltd |
| ZAR, R or Rand | South African rand |

Competent Person's Statement

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

No New Information

To the extent that announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements.

Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement. This announcement is for information purposes only. Neither this document nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.

This announcement may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction.

This document does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this representation are not intended to represent recommendations of particular investments to particular investments to particular persons.

Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

No responsibility for any errors or omissions from this document arising out of negligence or otherwise is accepted. This document does include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of the Company. Actual values, results, outcomes or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements.

Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, the Company does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions or circumstances on which any such forward-looking statement is based.