LUCAPA
DIAMOND COMPANY

Annual Report
for the year ended 31 December 2019

ASX Code: LOM

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Dear fellow shareholders,

2019 was a challenging year for anyone in the diamond space. Especially miners like Lucapa who were beholden to the external factors which influence the sale prices we get for our diamonds.

The factors weighing on global diamond demand and industry sentiment in 2019 included an oversupply of lower value diamonds, reduced liquidity in the mid-stream, abnormally high polished inventories and the spectre of trade wars.

The year finished on a more positive note, with diamond producers across the board reporting a pick-up in demand in the December quarter as supply was curtailed by De Beers and Alrosa and strong festive season jewellery sales reduced polished inventories.

However, at the time of publishing this annual report, the spectre of coronavirus has created widespread uncertainty and disruption across the world. The effects are being felt by all sectors of the global economy, the diamond industry included.

Lucapa continues to monitor and review the impacts this is having on the Company's operations and international sales channels, while taking all necessary measures to preserve cash and maintain a safe working environment for employees.

In the face of these challenges, we have moved to significantly and further reduce corporate overheads.

And as we recently announced to the ASX, the imposition of a 21-day lockdown in South Africa from 26 March to reduce the spread of coronavirus forced Lucapa and its partner, the Government of the Kingdom of Lesotho, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa.

For Lucapa, these macro factors remain a source of much frustration, overshadowing the Company's operational achievements in 2019.

Those achievements included the first full year of production from Mothae which produced 45% more carats than we had planned. Even in the face of the global pressures influencing pricing in 2019, Mothae still managed to generate positive EBITDA but reported a full year loss.

We also invested in capacity expansion at our Lulo alluvial mine in 2019 - primarily through the delivery of additional earthmoving fleet and other equipment. This was designed to increase the revenue generating capacity of Lulo mining company *Sociedade Mineira Do Lulo* ("SML") to enable potential returns to Lucapa in 2020 and thereafter in the form of loan repayments and distributions.

We made this investment on the back of the transformative diamond marketing reforms introduced in Angola at the start of 2019, which have enabled diamonds to be sold via international tender, amongst other channels, for the first time, thus realising better diamond values for producers.

The operations, Specials sold and reforms resulted in SML reporting strong EBITDA and a full year profit.

Importantly, Lucapa also furthered the Group's cutting & polishing strategy, with US$1.5 million in additional revenues accruing to SML for 2019 under the agreement struck with leading rough diamond manufacturer Safdico. Safdico is a subsidiary of Graff International, one of the world's finest high-end jewellery houses.

While our two mines produced record group production (>49,000 carats) and sales (US$55 million) in 2019[1], we also made significant strides in our search for the primary diamond source or sources at Lulo.

After completing an extensive kimberlite drilling and mineral chemistry program in early 2019, we gathered some of the world's leading diamond geologists together to review our results to help refine our exploration roadmap, in search of the high-value diamond source(s).

This new plan has already produced highly-encouraging results, including significant diamond recoveries from our stream sampling program which we announced to the ASX recently. These results have narrowed the focus of our kimberlite drilling and bulk sampling program to the Canguige catchment area and we look forward to continued news flow and results.

It is also worth noting that Lucapa finished 2019 with net assets of US$67.5 million (A$96.1 million), equating to A$0.19 per share.

While the full impact and duration of the coronavirus outbreak remains uncertain, we believe strongly we must remain committed to our core assets and strategy.

In such circumstances, I urge you as fellow shareholders to support the recent 1-14 rights issue undertaken by the Company.

Funds raised from this rights issue and our recent placement will enable Lucapa to continue advancing the Lulo kimberlite exploration program through one of its most exciting phases.

As I have touched on, 2019 has been a challenging year for Lucapa, primarily due to external influences outside the Company's control. While a Company's share price is often viewed as a barometer of its performance, the value of Lucapa shares belies the tireless efforts of Managing Director Stephen Wetherall and his dedicated management and operational teams, who remain committed to unlocking the value from all our assets. I thank them, along with our loyal shareholders.

MILES KENNEDY
Chairman

[1]On a 100% basis

Lucapa Diamond Company Limited ("Lucapa" or "the Company") and its subsidiaries (collectively "the Group") focused on niche high-value diamond production from the Lulo alluvial mine in Angola and the new Mothae kimberlite mine in Lesotho in 2019.

Lulo and Mothae both produce large and premium-quality diamonds, with >75% of revenues generated from the recovery of +4.8 carat stones.

Lulo maintained its status as one of the world's highest US$/ carat diamond mines in 2019, during which time an updated exploration program commenced to locate the primary kimberlite diamond source(s), delivering highly-encouraging results.

2019 also marked the first year of commercial production from Mothae after the development and commissioning phases.

Lucapa also established a new revenue stream in 2019 through a cutting & polishing partnership with Safdico International ("Safdico"), a subsidiary of leading high-end jeweller Graff International. This partnership has already generated US$1.5 million in additional earnings for Lulo in 2019.

As mentioned in the Chairman's letter, Lucapa's operational achievements in 2019 were overshadowed by the global decline in the diamond market, which impacted demand, sale prices and gross revenues for producers across the sector.

2019 Group highlights included:

- Record annual rough production of 49,117 carats[1]
- Record annual rough diamond sales of US$55 million (A$79 million)[1]
- Production of 30,107 carats from Mothae in its first year – 45% ahead of plan
- Record recovery of 1,164 diamonds weighing +4.8 carats from Mothae and Lulo
- EBITDA of US$12.9 million[2] from Lulo and US$1.2 million from Mothae
- Delivery of additional earthmoving fleet to Lulo to drive a potential 50% production increase
- Delivery of diamonds into value-adding cutting & polishing partnerships
- Favourable debt refinancing with support of major shareholders
- Advancing the search for the diamond source(s) at Lulo with a new kimberlite exploration program which has produced highly-encouraging results
- Advancing discussions with the Angolan Government to increase Lucapa's interest in the *Project Lulo* kimberlite joint venture

[1] Rough diamond production only and on a 100% basis.
[2] Includes SML's share of profit from diamonds sold into the cutting & polishing partnership with Safdico.

The new 1.1Mtpa Mothae diamond plant commissioned in January 2019

Mothae kimberlite mine, Lesotho
(Mothae Diamonds (Pty) Ltd - Lucapa 70%; Government of the Kingdom of Lesotho 30%)

Mining and operations
The new 1.1Mtpa Mothae mine operated well ahead of plan in its first year of commercial operations.

Throughput was 11% ahead of plan and this, combined with a 31% improvement in the planned diamond grade, delivered a 45% increase in planned production to 30,107 carats.

Notwithstanding some mining being restricted to lower margin areas early in the year, Mothae's annual production mix included 531 +4.8 carat diamonds, including 145 Specials (+10.8 carat diamonds) and three +100 carat diamonds. Recoveries also included gem-quality fancy pinks and yellows. Like Lulo, Mothae regularly produces rare Type IIa diamonds.

As referred to in the Events subsequent to reporting date section, the imposition of a 21-day lockdown in South Africa from 26 March2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa. (Refer also Debt refinancing section).

Towards the end of the year, studies were completed to assess the potential to further optimise plant throughput to 1.5Mtpa. Lucapa believes this ~40% increase in nameplate capacity can be achieved with additional secondary-crushing capacity and a bypass conveyor, as most of the other plant modules have additional capacity.

2019 MOTHAE DIAMOND PRODUCTION

	Q1	Q2	Q3	Q4	2019	% Var 2019 to Plan
Tonnes treated	283,042	265,408	298,726	**308,917**	**1,156,093**	**11%**
Carats recovered	6,918	6,349	7,007	**9,834**	**30,107**	**45%**
Recovered grade (cpht)	2.44	2.39	2.35	**3.18**	**2.6**	**31%**
+4.8 carat diamonds recovered	138	91	135	**167**	**531**	
+10.8 carat diamonds	42	18	39	**46**	**145**	
Closing diamond inventories	4,552	3,855	6,378	**4,284**	**4,284**	**131%**

Table 1: Mothae quarterly and full year treatment and diamond recovery results for 2019

Selection from a run of mine parcel of Mothae diamonds sold in Antwerp in 2019

Diamond sales

Mothae conducted five run-of-mine diamond tenders in Antwerp during 2019. These tenders generated gross sales revenues of US$16.5 million[1] at an average price of US$575/ carat[2]. In addition, Mothae finished the year with a diamond inventory of 4,284 carats.

The cutting & polishing of the first Mothae rough diamond by Lucapa also commenced in 2019 and was completed subsequent to year end, producing an exceptional result. The 36 carat Type IIa Mothae rough diamond, which was previously withdrawn from tender, produced six D-colour polished diamonds, including an exceptional 8.88 carat Flawless Pear shaped diamond (pictured below). The sale of the six polished diamonds resulted in a significant uplift in final value derived, illustrating the potential and benefits of the cutting & polishing strategy.

[1] 2019 totals include revenues from diamonds recovered during the pre-production phase which, under Australian International Financial Reporting Standards ("AIRFS"), are to be recognised as a reduction in the development asset and not in 2019 revenue (Refer ASX announcements 15 July 2019 and 3 September 2019).

[2] As previously noted, average per carat prices were also impacted by the recovery of significant quantities of small diamonds under the bottom 3mm cut-off screen size, due to the efficiency of the new commercial plant in processing highly weathered material. This is expected to diminish as mining progresses through the weathered zones.

Flawless 8.88 carat D-colour Pear shaped diamond manufactured from 36 carat Mothae gem

Lulo alluvial mine, Angola
(Sociedade Mineira Do Lulo ("SML") - Lucapa 40% associate and operator)

Mining and operations
SML produced 19,010 carats during 2019, its fifth year of commercial production. This was within 1% of the previous year's results, despite disruptions caused by near record rainfall in Q4 2019 and industrial action late in December.

The production mix included 633 +4.8 carat diamonds and 212 Specials. These recoveries included diamonds weighing 130 carats and 128 carats – taking to 13 the accumulative number of +100 carat diamonds produced at Lulo by the year end.

A new fleet of earthmoving equipment was purchased and arrived on site during 2019, comprising six excavators, eight trucks, two tracked dozers and a wheel dozer.

This additional fleet is part of an expansion program designed to deliver a potential ~50% increase in annualised carat production in 2020. SML paid the bulk of the US$12.0 million capital cost of this new equipment in 2019 from cash generated by operations and reserves, with the balance due to be paid in Q1 2020.

This expansion was designed to increase SML's revenue generating capacity to enable potential returns to Lucapa in 2020 and thereafter in the form of loan repayments and distributions.

Alluvial drilling continued during the year in parallel with the alluvial mining activities, with ~6,100 holes completed in an ongoing resource delineation program.

Notwithstanding the depletion of 19,010 carats from alluvial mining during 2019 referred to above, in-situ resource carats increased 25% to 100,700 carats at an increased modelled value of US$1,620/ carat in the updated Lulo Diamond Resource. This total equates to more than five times Lulo's 2019 production, the fifth consecutive year of commercial mining operations (Refer ASX announcement 16 March 2020).

LULO DIAMOND PRODUCTION

	2018	2019	% Var 2019 to Plan
M^3 treated (bulked)	285,704	**276,313**	**-3%**
Carats recovered	19,196	**19,010**	**-1%**
Recovered grade ($cphm^3$)	6.7	**6.9**	**2%**
+4.8 carat diamonds recovered	648	**633**	**-2%**
+10.8 carat diamonds	214	**212**	**-1%**
Closing diamond inventories	1,935	**955**	**-51%**

Table 2: SML full year treatment and recovery results for 2019 and comparative year

Selection of Lulo diamonds recovered and sold in 2019

Diamond sales

2019 marked an historic occasion for SML and the Angolan diamond sector when the first sale of rough diamonds was conducted via an international tender under Angola's transformative new diamond marketing regulations.

Seven large and top-quality Lulo diamonds weighing 498 carats were offered for sale in the inaugural electronic tender, which was completed in Luanda on 31 January 2019. Six of the seven diamonds were sold, achieving gross proceeds of US$12.1 million, representing an average price of US$26,754/ carat.

Overall, SML conducted 11 sales and sold 20,061 carats of Lulo diamonds during the year for gross rough revenues of US$38.5 million (A$55.2 million), up 46% on the previous year. These sales were achieved at an exceptional average price of US$1,918/ carat. The introduction of Angola's new diamond marketing regulations also enabled Lucapa and SML to advance the cutting & polishing strategy, which will see margins derived by SML from the cutting & polishing of rough Lulo diamonds into polished product and their onward sale.

During the year, ~4,900 carats of run-of-mine Lulo diamonds were sold by SML into a cutting & polishing partnership with Safdico which, as a preferred SML buyer, can purchase up to 60% of Lulo's annual rough production under the new Angolan regulations.

The early success of this cutting & polishing partnership resulted in SML accruing an additional US$1.5 million in revenue for 2019, over and above the rough diamond proceeds received at the time of sale of the rough.

Lucapa CEO Stephen Wetherall (third from left) at the successful conclusion of the historic inaugural international tender of Lulo diamonds (inset) with representatives from the Company's Angolan partners Endiama and Rosas & Petalas, Sodiam, the Ministry of Mineral Resources and Petroleum and SML

Kimberlite exploration
(Project Lulo – Lucapa 39% JV partner and operator)

The *Project Lulo* partners launched an updated kimberlite exploration program in June 2019, based on a detailed technical review of all previous results. This included the mineral chemistry results from the extensive kimberlite drilling program completed in 2019, which increased to >100 the number of confirmed kimberlites near and/ or upstream of the main alluvial mining blocks.

The new program included:

- Delineating and excavating alluvial gravels for bulk sampling in six major tributaries feeding from high-interest target areas into the Cacuilo River valley; and
- Follow-up delineation drilling of 16 kimberlite pipes rated most prospective to host diamonds and eight other targets highlighted in the technical review

Access roads were initially developed to enable delineation drilling and pitting along the Canguige, Xangando and Canze tributaries. By year end, more than 750 auger holes had been drilled and 86 pits excavated in these areas to define gravels for bulk sampling through the Lulo plant to test for diamonds.

The Canguige tributary bulk sample was processed through the plant subsequent to year end, producing highly encouraging results (Refer ASX announcements 19, 21 and 26 February 2020 and 4 March 2020), with 45 diamonds of up to 3.75 carats recovered (Refer Events subsequent to reporting date). As a result, the five prospective kimberlites and two priority targets identified in the Canguige catchment area in the technical review became the immediate focus of the search for the primary hard-rock diamond sources at Lulo.

Gravels were also identified within the Xangando tributary, where drilling and pitting will also continue to define enough suitable material for bulk sampling.

By year end, 16 core holes (~2,600m) were drilled in six of the 16 kimberlite pipes prioritised in the technical review and one of the eight new targets.

Late in the year, Lucapa advanced discussions with the Angolan Ministry of Mineral Resources and Petroleum and Angola's national diamond company Endiama E.P. to potentially secure a majority stake in the *Project Lulo* joint venture, which holds the primary (kimberlite) exploration licence for the 3,000km² Lulo diamond concession.

Lucapa believes that securing a majority stake in the kimberlite exploration licence will open up additional funding solutions to expedite the kimberlite exploration program.

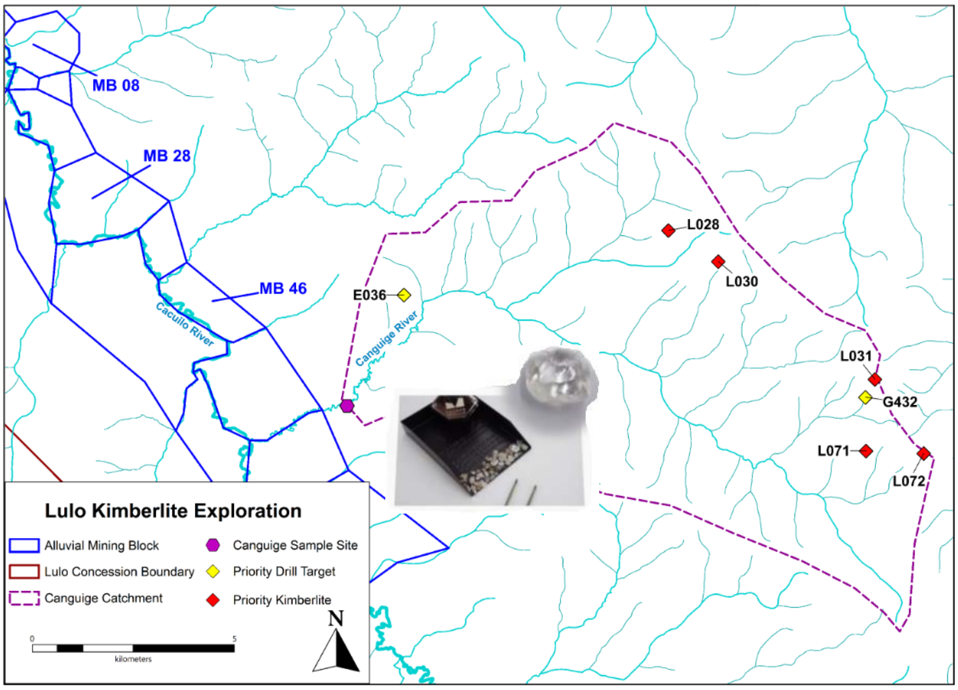

Figure 1: Location of the five top-rated kimberlite pipes and two priority anomalies in the Canguige catchment area, which drains into the Cacuilo River valley, and the diamonds recovered from the Canguige tributary stream bulk sample

Other projects and debt refinancing

Other projects
During the year, Lucapa deferred workstreams at the Company's two early stage kimberlite/ lamproite exploration projects – Brooking in Western Australia and Orapa Area F in Botswana – to focus on production at the Mothae and Lulo mines and advancing the Lulo kimberlite exploration program.

Earlier in Q1 2019, Lucapa recovered 11 diamonds weighing 0.284 carats from a ~100 tonne bulk sample excavated from the Little Spring Creek ("LSC") lamproite discovery at Brooking.

While these results indicated the LSC lamproite body was unlikely to be economic, Lucapa has proven that Brooking hosts source rocks with high diamond counts.

The primary sources of anomalous levels of diamonds and indicator minerals recovered from other target areas at Brooking remain undiscovered. For these reasons, Lucapa believes Brooking remains prospective for diamondiferous lamproite discoveries and thus warrants follow-up exploration.

Debt refinancing
During the year, Lucapa's two biggest shareholders – Equigold Pte Ltd and New Azilian Pty Ltd – demonstrated their support for the Company by restructuring and/ or providing new loans on favourable terms.

In April 2019, New Azilian advanced the Company a A$10.0 million (US$7.0 million) one-year loan facility at an interest rate of 10%. Lucapa used US$3.8 million of the New Azilian funds to reduce its Equigold loan to US$7.5 million after Equigold agreed to convert a US$1.9 million quarterly capital repayment into Lucapa shares. Equigold also agreed to extend the repayment term on its facility to January 2022 and as a result reduce the quarterly capital repayments from US$1.9 million to US$0.9 million.

As referred to in the Events subsequent to reporting date section, the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa.

The lockdown imposed by the South African Government and other restrictions imposed to restrict the spread of coronavirus will potentially trigger default clauses in the Group's loan agreements. However, as set out in the ASX announcement of 30 January 2020, Mothae is currently in advanced discussions with the Industrial Development Corporation of South Africa ("IDC") regarding the restructure of the IDC debt facility.

Lucapa is also continuing discussions with New Azilian and Equigold regarding their corporate loan facilities (Refer ASX announcement 30 January 2020).

At the time of publishing this annual report, the discussions with the IDC, New Azilian and Equigold were not concluded.

The Company also continues to review a number of finance restructuring possibilities, which have the potential to replace and reduce the costs of the Group's existing debt facilities.

Schedule of tenements

Schedule of Tenements as at 31 December 2019

Country	Type	Size (km^2)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	5 years	39	04/2023
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
Australia	Exploration Licence	72	5 years	80	12/2020
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

The Directors present their report together with the financial report of Lucapa and the Group for the financial year ended 31 December 2019 and independent auditor's report thereon.

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

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

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

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

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

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

2. Company Secretary

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

3. Directors' meetings

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

a: Number of meetings attended;
b: Number of meetings held during the time the Directors were in office during the year.

	Board Meetings	
	a	**b**
M Kennedy	4	4
S Wetherall	4	4
N Selby	4	4
R Stanley	4	4

4. Nature of operations and principal activities

In 2019, the Group was predominantly focused on its Angolan assets (diamond mining, evaluation and exploration at Lulo), its Lesotho asset (the development, commissioning and first year of diamond mining operations at Mothae) and its Western Australian asset (early stage diamond exploration at Brooking). No work was undertaken at Lucapa's Botswana asset (early stage kimberlite exploration at Orapa Area F).

5. Operating and financial review

Primarily due to the downturn in the overall diamond market impacting on demand and diamond prices, the Group reported a loss after tax for the year ended 31 December 2019 of US$3.3 million (2018: loss of US$7.1 million). The results include the first operational results of Mothae and after accounting for the Company's share of earnings from associate SML.

Mothae produced a solid first year operationally as outlined in the Review of operations section. Mothae's total cash operating costs were also well controlled during its first year, resulting in a cost per tonne of US$12.30, 10% lower than plan.

Notwithstanding the challenging market, Mothae produced positive EBITDA of US$1.2 million. After accounting for depreciation of US$1.5 million, interest due to both the IDC (US$1.3 million) and Lucapa[1] (US$4.2 million) and other below the line items, Mothae achieved a net loss of US$5.0 million.

As referred to in the Events subsequent to reporting date section, the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa (Refer also Debt refinancing section).

SML's results were strengthened by the sale of Special diamonds recovered during 2018, which were sold under Angola's new marketing regulations via electronic tender in January 2019 (refer ASX announcement 1 February 2019), along with the first profits earned from the new cutting & polishing partnership with Safdico. As with Mothae, SML's results were impacted by the downturn in the diamond market as well as a higher effective taxation charge due to the devaluation of the Angolan kwanza against the US dollar.

The Lulo alluvial operations, in their fifth year of operation, managed a slight reduction in total cash operating costs for the year of US$81/ cubic metre ($m^3$), down from US$82/ m^3 in the previous year.

SML generated EBITDA of US$12.9 million (2018: US$2 million loss). Before non-cash fair value adjustments on Lucapa's loan of US$3.0 million, SML achieved a net profit of US$3.4 million, after deducting tax of US$3.0 million and (non-cash) depreciation of US$6.4 million. This resulted in a net profit after tax of US$0.4 million after accounting for the fair value adjustments on Lucapa's loan.

Group corporate overheads were marginally down on prior year, even though 2019 was the first year in which the new Mothae mine's corporate overheads were fully expensed. The inclusion of Mothae corporate overheads in 2019 was offset by a reduction in Perth corporate office overheads.

The Group results included US$4.6 million in finance charges (2018: US$0.1 million), incurred on loans sourced predominantly for the Mothae project development. Under AIFRS, the finance charges incurred prior to 2019 were classified as pre-production charges and capitalised to the development asset.

Furthermore, the contra to the fair value adjustment on Lucapa's loan noted earlier in SML of US$3.0 million was also recognised in Lucapa's profit or loss.

The Group had net assets of US$67.5 million as at 31 December 2019 (2018: U$67.2 million).

Review of financial condition

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

At the time of publishing this 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 recognise 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.

[1] Interest due to Lucapa on the US$30 million inter group funding provided for the development of Mothae.

5. Operating and financial review (continued)

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

- The Group's staff, operations, partners and the 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.

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

- The duration and full impact of coronavirus is unknown;
- The Group's assets exceed its liabilities by US$67.5 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.
- The Group has historically been successful in restructuring existing and raising new debt facilities:
  - The Company amended the existing US$7.5 million debt facility with Equigold;
  - The Company raised a new debt facility of A$10.0 million with New Azilian;
  - The Group is in discussions with the IDC (Refer ASX announcement 30 January 2020) and New Azilian to restructure the principal and interest payments due on its facilities. At the time of publishing this report, these discussions had not concluded; and
  - The Company continues to review a number of finance restructuring possibilities, which have the potential to replace and reduce the costs of the Company's existing debt facilities.

However, despite the Group's previous track record in sourcing funds or restructuring debt facilities as above for its projects, there remains no assurance the Group in the future will be successful in obtaining funding required or restructuring debt facilities as and when needed. As a result of this uncertainty, and the discussions with financiers not having concluded, all facilities have been reflected as current borrowings.

In these circumstances, there exists a material uncertainty which may cast doubt as to whether the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustments relating to the 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.

As per previous years, the Group's audit report includes an emphasis of matter with respect to the existence of this material uncertainty with the Group's ability to continue as a going concern.

Significant changes in the state of affairs

Angola

During the year, the Group continued to focus on the mining and recovery of large and premium-value alluvial diamonds at Lulo as well as continuing the kimberlite exploration program aimed at identifying the primary hard-rock sources.

In January 2019, Lulo diamonds featured in the first historic sale of Angolan diamonds via international tender under Angola's transformative new diamond marketing regulations.

A new fleet of earthmoving equipment arrived on site at Lulo during the year as part of a US$12.0 million expansion program which has the potential to increase annual diamond production by ~50%.

Discussions with Angolan authorities were advanced late in the year to potentially secure a majority stake in the Lulo kimberlite exploration licence.

The first Lulo diamonds were delivered during the year into a new cutting & polishing partnership with Safdico.

Lesotho

During the year, the Group completed the first year of commercial production at the new 1.1Mtpa Mothae kimberlite mine, which achieved carat production 45% ahead of plan.

Scoping studies were undertaken to assess the potential to further optimise plant throughput to 1.5Mtpa with relatively minor plant modifications.

The cutting & polishing of the first Mothae rough diamond was undertaken during the year. Subsequent to year end, six diamonds were produced from the 36 carat Type IIa stone, including an 8.88 carat Flawless Pear shaped diamond.

5. Operating and financial review (continued)

Western Australia

Early in the year, 11 diamonds weighing 0.284 carats were recovered from the bulk sampling of lamproite material from the LSC discovery at the Brooking project. While the results indicated the LSC lamproite was unlikely to be economic, Lucapa has proven that Brooking hosts source rocks with high diamond counts.

No further work was undertaken at Brooking due to the Group's focus on its two operating mines and advancing the Lulo kimberlite exploration program.

Botswana

No further work was undertaken at the Orapa Area F kimberlite exploration project during the year due to the Group's focus on its two operating mines and advancing the Lulo kimberlite exploration program

Corporate

The Company completed the following share capital and option transactions during the period.

Transaction	Number	Issue/ exercise price (A$)	Funds raised (US$000)	Option expiry
Issue of shares	5,226,193	0.174	642	n/a
Issue of shares	20,197,657	0.170	2,428	n/a
Issue of shares	3,223,350	0.147	321	n/a
Issue of shares on exercise of performance rights	3,286,594	-	-	n/a
Issue of performance rights	1,874,520	0.000	-	01-Apr-22

6. Dividends

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

In December 2018, SML declared a distribution of US$4.0 million to partners and a capital loan repayment of US$4.0 million to the Company.

During 2019, US$2.1 million of the capital loan repayment was received with the balance due in 2020.

The Company's share of the distribution of US$1.6 million, being 40% of the US$4.0 million distribution, was retained in Angola to fund ongoing kimberlite exploration costs.

7. Environmental regulation

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

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

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

8. Events subsequent to reporting date

On 6 January 2020, Lucapa announced record annual diamond production of 49,120 carats in 2019 from Mothae and Lulo, on a 100% basis.

On 9 January 2020, Lucapa announced the recovery of a 117 carat diamond from Lulo, the 14th +100 carat diamond recovered to date and the first for 2020.

On 14 January 2020, Lucapa announced that a 36 carat rough diamond from Mothae had been manufactured into six polished D-colour diamonds under a cutting & polishing partnership with a leading international diamantaire. The diamonds included a flawless 8.88 carat Pear shaped diamond.

On 29 January 2020, Lucapa announced SML had entered into a cutting & polishing agreement with leading diamond manufacturing group Safdico International, a subsidiary of high-end jewellery house Graff International.

On 30 January 2020, Lucapa released its Quarterly Activities Report for the period ended 31 December 2019.

On 12 February 2020, Lucapa announced combined diamond sales totalling US$5.5 million from Lulo and Mothae.

On 19 February 2020, Lucapa announced that 45 diamonds of up to 3.75 carats had been recovered from the stream bulk sample taken from the Canguige tributary at Lulo as part of the kimberlite exploration program.

On 21 February 2020, Lucapa announced that follow-up analysis of the 45 diamonds confirmed the presence of top D-colour and Type IIa gems, along with a light fancy yellow.

On 25 February 2020, Lucapa announced that SML had sold a parcel of 1,223 carats of Lulo diamonds for US$1.9 million, representing an average price of US$1,535 per carat.

On 26 February 2020, Lucapa released a presentation updating the Lulo kimberlite exploration program.

On 4 March 2020, Lucapa announced a $2.8 million share placement and documentation for a 1-14 rights issue to raise up to $3.9 million. Lucapa also released an update on the Lulo kimberlite exploration program.

On 16 March 2020, Lucapa announced an updated Lulo Diamond Resource, where in-situ resource carats increased 25% to 100,700 carats at an increased modelled value of US$1,620/ carat.

On 17 March 2020, Lucapa announced an extension to the rights issue closing date to 30 March 2020.

On 18 March 2020, Lucapa announced the recovery of a 64 carat top-quality diamond from Mothae as well as a small blue diamond.

On 23 March 2020, Lucapa announced updated progress on the Lulo kimberlite exploration program.

On 24 March 2020, Lucapa announced the sale by SML of the 46 carat pink Lulo diamond for US$2.5 million into a cutting & polishing partnership with Safdico. At the same time, Lucapa announced that SML would receive US$1.5 million as its first share of profits from the polishing partnership agreement with Safdico.

On 25 March 2020, Lucapa announced that the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa (Refer also Debt refinancing section).

9. Likely developments

As outlined in the Chairman's letter, Review of operations and this Directors' report - notwithstanding that the full impact of the coronavirus outbreak remains uncertain and will become clearer in the months to come - the Directors consider the following as a summary of the likely developments and expected results for the next 12 months.

Lulo, Angola
Lucapa and its partners plan to increase plant throughput by a targeted ~50% at Lulo in 2020, while continuing the kimberlite and alluvial exploration programs. Further sales of Lulo diamonds are planned, with more diamonds expected to be delivered into the cutting & polishing partnership with Safdico.

Mothae, Lesotho
As referred to in the Events subsequent to reporting date section, the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa (Refer also Debt refinancing section).

Brooking, Western Australia
The scope and timing of future exploration programs at Brooking are being reviewed as Lucapa focuses on maximising revenues from its two operating mines and advancing the Lulo kimberlite exploration program.

Orapa Area F, Botswana
The scope and timing of future exploration programs at the Orapa Area F project are being reviewed as Lucapa focuses on maximising revenues from its two operating

mines and advancing the Lulo kimberlite exploration program.

10. Directors' interest

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

Director	Fully paid ordinary shares	Options over ordinary shares expiring 31 May 2020 [(1)]	Options over ordinary shares expiring 7 June 2021 [(2)]
M Kennedy	2,625,127	230,000	130,000
S Wetherall	2,229,250	400,000	210,000
N Selby	1,489,458	300,000	165,000
R Stanley	42,092,999	-	-

Note
[(1)] Options granted to Directors following shareholder approval at the annual general meeting held 30 May 2017;
[(2)] Options granted to Directors following shareholder approval at the annual general meeting held 24 May 2018;

11. Share options and performance rights

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

Expiry date	Exercise price (A$)	Number of securities	Quoted
Share options			
24 May 2020	$0.45	250,000	-
20 April 2020	$0.35	2,500,000	-
31 May 2020	$0.46	2,250,000	-
7 June 2021	$0.4355	1,301,000	-
Performance rights			
31 May 2020	$0.00	62,500	-
1 April 2022	$0.00	1,249,676	-

12. Remuneration report (audited)

12.1 Principles of compensation

Key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Group, including Directors of the Company and other executive management. Currently, KMP comprises the Directors of the Company.

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

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

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

Fixed compensation

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

Directors' fees

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

Use of remuneration consultants

The Group employed the services of a remuneration consultant during 2018 and the recommendations were implemented in 2019.

Equity-based compensation (Long term incentive)

The Company has an equity-based incentive plan under which Directors and management are awarded share options and performance rights. The purpose of the plan is to assist in the incentivisation, reward and retention of Directors and management, align their interests with those of the shareholders of the Company and to focus on the Company's development strategy.

Short-term and long-term incentive structure and consequences of performance on shareholder wealth

Given the Group's principal activities during the course of the financial period consisting of exploration, evaluation, development and mining of mineral resources, the Board has again for 2019 given significance to service criteria and performance over market related criteria in setting the Group's incentive and retention schemes.

Accordingly, at this stage the Board does not consider the Group's current earnings or earning measures to be the only appropriate key performance indicator. The issue of options and performance rights as part of the remuneration package of Directors, management, employees and contractors is an established practice for listed exploration and development companies and has the benefit of conserving cash whilst appropriately rewarding the recipient.

In circumstances where cash flow permits, the Board may approve the payment of a discretionary cash bonus as a reward for performance. No bonuses were paid during 2019.

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

12. Remuneration report (audited) (continued)

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

Stephen Wetherall

Mr Wetherall has been engaged to act as the Company's Chief Executive Officer/ Managing Director. Mr Wetherall is entitled to receive remuneration of A$633,938 (gross, including superannuation) per annum which is subject to review by the Board from time to time. He will be eligible to participate in any future incentive and retention plans implemented by the Board. Shareholder approval will be sought for his participation in any incentive plan involving equity of the Company. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders.

Nick Selby

Mr Selby has been engaged to act as the Company's Chief Operating Officer/ Executive Director. Mr Selby is entitled to receive remuneration of A$479,588 (gross, including superannuation) per annum which is subject to review by the Board from time to time. He will be eligible to participate in any future incentive and retention plans implemented by the Board. Shareholder approval will be sought for his participation in any incentive plan involving equity of the Company. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders.

Miles Kennedy

Mr Kennedy has been engaged to act as the Company's non-executive Chairman. Mr Kennedy is entitled to receive Director fees of A$148,838 (gross) per annum, which is subject to review by the Board from time to time. He will be eligible to participate in any future incentive and retention plans implemented by the Board. Shareholder approval will be sought for his participation in any incentive plan involving equity of the Company. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders.

Ross Stanley

Mr Stanley has been engaged to act as a non-executive Director of the Company. Mr Stanley is entitled to receive Director fees of A$99,225 (gross) per annum, which is subject to review by the Board from time to time. He will be eligible to participate in any future incentive and retention plans implemented by the Board. Shareholder approval will be sought for his participation in any incentive plan involving equity of the Company. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due unless approved by shareholders.

12. Remuneration report (audited) (continued)

12.2 KMP remuneration

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

Key management personnel	Period ended	Short-term benefits: Salary & fees	Short-term benefits: Bonus	Post employment benefits: Superannuation benefits	Equity-settled share based payments: Options and performance rights[1]	Total (US$)
Executive Directors						
Stephen Wetherall, Chief Executive Officer / Managing Director	Dec 19	424,378	-	17,423	15,140	**456,941**
	Dec 18	432,326	214,763	18,675	206,989	**872,752**
Nick Selby, Chief Operating Officer / Executive Director	Dec 19	316,809	-	17,423	11,821	**346,053**
	Dec 18	322,517	74,700	18,675	137,110	**553,002**
Non-Executive Directors						
Miles Kennedy, Non-Executive Chairman	Dec 19	97,728	-	5,999	8,348	**112,075**
	Dec 18	105,887	50,423	-	74,470	**230,780**
Gordon Gilchrist, Non-Executive Director	Dec 19	-	-	-	-	**-**
	Dec 18	37,606	5,116	4,059	54,876	**101,657**
Albert Thamm, Non-Executive Director	Dec 19	-	-	-	-	**-**
	Dec 18	37,606	5,116	4,059	54,876	**101,657**
Ross Stanley, Non-Executive Director	Dec 19	63,152	-	5,999	-	**69,151**
	Dec 18	27,901	-	2,651	-	**30,552**
Total	**Dec 19**	**902,067**	**-**	**46,845**	**35,309**	**984,220**
	Dec 18	**963,843**	**350,118**	**48,118**	**528,322**	**1,890,400**

(1) These options issued have been valued in accordance with the methodology listed in Note 12 to these financial statements.

12. Remuneration report (audited) (continued)

12.3 Equity instruments

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

12.3.1 Analysis of movements in options, performance rights and shares

Options and performance rights over equity instruments

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

Directors	Held at 1 January or date of appointment	Options acquired	Exercise of options and performance rights	Expired without exercise	Options and performance rights granted	Held at 31 December or date of resignation	Vested & exercisable
2019							
M Kennedy	1,119,583	-	(152,625)	(606,958)	-	**360,000**	316,666
S Wetherall	1,805,000	-	(569,250)	(625,750)	-	**610,000**	540,000
N Selby	1,382,917	-	(342,375)	(575,542)	-	**465,000**	410,000
R Stanley	-	-	-	-	-	**-**	-
2018							
M Kennedy	1,125,000	-	(320,417)	-	315,000	**1,119,583**	696,667
S Wetherall	1,900,000	-	(995,000)	-	900,000	**1,805,000**	836,666
N Selby	1,437,500	-	(634,583)	-	580,000	**1,382,917**	755,000
G Gilchrist [(1)]	712,500	-	(152,083)	-	250,000	**810,417**	411,666
A Thamm [(1)]	712,500	-	(152,083)	-	250,000	**810,417**	411,666
R Stanley [(2)]	-	-	-	-	-	**-**	-

Movements in shares

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

Directors	Held at 1 January or date of appointment	Received upon exercise of options and performance rights	Sales	Purchases	Held at 31 December or date of resignation
2019					
M Kennedy	2,272,502	152,625	-	200,000	**2,625,127**
S Wetherall	1,660,000	569,250	-	-	**2,229,250**
N Selby	1,147,083	342,375	-	-	**1,489,458**
R Stanley	40,000,436	-	-	2,092,563	**42,092,999**
2018					
M Kennedy	2,252,085	320,417	(300,000)	-	**2,272,502**
S Wetherall	1,565,000	995,000	(900,000)	-	**1,660,000**
N Selby	1,012,500	634,583	(500,000)	-	**1,147,083**
G Gilchrist [(1)]	1,186,541	152,083	-	-	**1,338,624**
A Thamm [(1)]	285,000	152,083	-	-	**437,083**
R Stanley [(2)]	40,000,436	-	-	-	**40,000,436**

No shares were granted to KMP during the reporting period as compensation in 2019 or 2018.

[(1)] Resigned 26 July 2018. [(2)] Appointed 26 July 2018.

End of audited section.

13. Indemnification and insurance of officers and Directors

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

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

The Company has not entered into any agreement to indemnify the auditors against any claims by third parties arising from their reports on the financial report for the year ended 31 December 2019 and prior period ended 31 December 2018.

14. Auditor independence and non-audit services

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

ELDERTON
AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited

As auditor for the audit of Lucapa Diamond Company Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Rafay Nabeel

Audit Director

25 March 2020

Perth

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

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

	31 Dec 2019 US$	31 Dec 2018 US$
Audit services	32,241	31,201
Other services	-	-
	32,241	**31,201**

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

MILES KENNEDY

Chairman

Dated this 25 March 2020.

Lulo alluvial diamond resource

LULO CLASSIFIED DIAMOND RESOURCE - 31 December 2019 Lucapa 40% attributable								
Resource Classification	**Date**	**Area (m^2)**	**Diluted volume (m^3)**	**Carats per Stone**	**Stones**	**Carats**	**Diluted grade ($cphm^3$)**	**Modelled value (US$/carat)***
Inferred	31-Dec-19	1,586,000	1,151,200	1.27	79,000	100,700	8.75	1,620
Inferred	31-Dec-18	1,313,900	1,132,700	1.14	70,400	80,400	7.1	1,420

Notes:

(i) m^2 = square metres; m^3 = cubic metres; $cphm^3$ = carats per 100 cubic metres

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

(iii) Bottom cut off screen size: effective 1.5mm

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

The Lulo Classified Inferred Diamond Resource ("Lulo Diamond Resource") has been independently estimated and reconciled on a depletion and addition basis as at 31 December 2019 by external consultants Z Star Mineral Resource Consultants (Pty) Ltd ("Z Star") of Cape Town, South Africa, updating the previous Lulo Diamond Resource dated 31 December 2018.

Changes in the Lulo Diamond Resource reflect alluvial mining depletion in 2019 and additional resources informed by drilling, mining, processing and sales during 2019. Resources have been reconciled and depleted as at 31 December 2019 using drone photogrammetry that provides accurate and precise survey information.

The Lulo partners are conducting an expanded pitting and auger drilling program around the known diamond areas at Lulo, to grow the Lulo Diamond Resource. This program has allowed known alluvial channels to be defined with much higher confidence. This has in turn seen the exclusion of some of the lower value areas which were previously included in the resource, resulting in an increase in the updated diamond grade and value. The exploration program is being expanded further in 2020.

Information included in this report on the Lulo Diamond Resource is based on, and fairly represents, information and supporting documentation prepared, compiled and supervised 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 Joint Ore Reserves Committee ("JORC") Code. Mr. Price consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Information included in this report that relates to the stone frequency, grade and size frequency valuation and validation in the Lulo Diamond Resource estimate is based on, and fairly represents, information and supporting documentation prepared and compiled by Sean Duggan (Pri.Sci.Nat 400035/01) and David Bush (Pri.Sci.Nat 400071/00). Messrs. Duggan and Bush are directors and employees of Z Star Mineral Resource Consultants (Pty) Ltd, of Cape Town, South Africa. Both hold qualifications and experience such that both qualify as members of a Recognised Overseas Professional Organisation ("ROPO") under relevant ASX listing rules. Messrs. Duggan and Bush both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to each qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Messrs. Duggan and Bush both consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Mothae kimberlite diamond resource

MOTHAE CLASSIFIED DIAMOND RESOURCE - 31 December 2019 Lucapa 70% attributable To 300m Below Surface					
Resource Classification	**Date**	**Tonnes (Mt)**	**Grade (cpht)**	**Carats (million)**	**Modelled value (US$/ carat)**
Indicated		1.87	2.9	0.06	1,146
Inferred	31-Dec-19	36.21	2.7	0.96	1,053
TOTAL		**38.08**	**2.7**	**1.01**	**1,059**
Indicated		2.38	3.0	0.07	1,196
Inferred	31-Dec-18	36.44	2.7	0.97	1,053
TOTAL		**38.82**	**2.7**	**1.04**	**1,063**

Notes:

(i) Table contains rounded figures

(ii) Grade figures are based on recovery factors derived from total content curves for each geological domain, and actual plant recoveries achieved

(iii) The Diamond Resource estimate was originally reported in accordance with Canadian NI 43-101 standard in February 2013 and has been re-stated in accordance with JORC 2012 guidelines (Refer ASX announcement 24 March 2017)

(iv) Changes in the resource reflect mining depletion from 1 January 2019 to 31 December 2019, as a result of production

(v) The estimate is global in nature

(vi) Resource reported to 2mm bottom cut off screen size

(vii) Unclassified kimberlite exists from 300m to 500m below surface and in the neck zone

Information included in this report on the Mothae Classified Diamond Resource is based on and fairly represents information and supporting documentation prepared, compiled and supervised 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 JORC Code. Mr. Price consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Corporate governance statement

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Lucapa is a strong advocate of good corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ("Recommendations") where considered appropriate for a Company of Lucapa's size and complexity.

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

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

Given the size, complexity and development nature of the Group and the cost of strict compliance with all the Recommendations, the Board has adopted a range of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. At the end of this statement is a checklist setting out the Recommendations with which the Company does or does not comply. The information in this statement is current as at 25 March 2020.

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

Charters

- Board

Policies and Procedures

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

Principle 1 - Lay solid foundations for management and oversight

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

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

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

Role of the Board

The Board responsibilities are as follows:

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

Delegation to management

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

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

Election of Directors

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

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

Terms of appointment

Non-Executive Directors

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

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

Principle 1 - Lay solid foundations for management and oversight (continued)

Executive Directors

The Executive Directors have a signed services agreement. For further information refer to the Remuneration Report.

Role of Company Secretary

The Company Secretary is accountable to the Board for:

- Advising the Board and committees on corporate governance matters;
- The completion and distribution of Board and committee papers;
- Completion of Board and committee minutes; and
- The facilitation of Director induction processes and ongoing professional development of Directors.

All Directors have access to the Company Secretary who has a direct reporting line to the Chairman.

Diversity

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

The Board comprises four Directors, all of whom are male. The Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise in the industries and jurisdictions in which the Group operates, can understand and competently deal with current and emerging business matters and can effectively assess the performance of management.

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

The Company, together with its subsidiaries and associates currently have 663 full-time employees of which 561 are male and 102 are female.

	31 December 2019				31 December 2018			
Gender representation	**Female**		**Male**		**Female**		**Male**	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Board representation	-	-	4	100	-	-	4	100
Group representation	102	15.5	557	84.5	85	14.7	493	85.3

Principle 1 - Lay solid foundations for management and oversight (continued)

Performance review

Board and Board committees

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

The review focuses on:

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

A review of the Board's performance and effectiveness in respect of the year ended 31 December 2019 was conducted.

Managing Director and senior executives

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

A review of the Managing Director and Chief Operating Officer's performance and effectiveness in respect of the year ended 31 December 2019 was conducted.

Retirement and rotation of directors

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year, one third of Directors must retire and may offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company. It is intended that Mr Miles Kennedy will stand for re-election by rotation at the Company's Annual General Meeting, expected to be held in May 2020.

Independent professional advice

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

Access to employees

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

Directors' and officers' liability insurance

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

Board meetings

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

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

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

Principle 2 - Structure the Board to be effective and add value

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

The ASX Corporate Governance Council guidelines recommend that the Board should constitute of a majority of independent Directors and that the Chairperson should be independent. The Board consists of four Directors of whom one is considered independent, being Mr Miles Kennedy (non-executive Chairman - appointed as a director on 12 September 2008 and served as Executive Director until 11 December 2014). The Board considers that whilst Mr Kennedy has served as a Director for a long period, he remains independent from management and substantial shareholders and is therefore able to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party. Mr Ross Stanley (non-Executive Director – appointed 26 July 2018) has a substantial shareholding in the company and therefore does not meet the criteria for an independent Director. Mr Stephen Wetherall (appointed 13 October 2014) is Managing Director and therefore does not meet the criteria for an independent Director due to his executive role. Mr Nick Selby (appointed 4 September 2017) is an Executive Director and therefore does not meet the criteria for an independent Director due to his executive role.

Board skills and experience

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

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

The Board comprises Directors who each have extensive exploration, development and mining industry knowledge, country specific knowledge, technical, financial, capital markets and commercial expertise. The Board will address the skills commensurate with the growth and development of the Group's activities to ensure those skill sets are complemented by additional industry or other expertise in the sector.

This mix is described in the Board skills matrix as follows:

Skill	Number of Directors holding this skill
Resources industry and Africa experience	4
Diamond industry experience	4
Strategy	4
Mergers and acquisitions	4
Finance	4
Risk Management	4
Government relations	4
Capital projects; financing/project management	4
Sustainable development	4
Previous board experience	4
Governance	4
Policy	4
Executive leadership	4
Remuneration	4

Nomination of other Board members

Membership of the Board of Directors is reviewed on an on-going basis by the Chairperson of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Group's businesses and its objectives and diversity. The Board does not have a separate Nomination Committee and does not believe it is necessary in a Group of Lucapa's size.

Director induction and ongoing professional development

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

Principle 3 - Instil a culture of acting lawfully, ethically and responsibly

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

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

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

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

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

Trading in Company securities
Directors are required to make disclosure of any trading in the Company's shares. The Company policy in relation to share trading is that Directors, key management personnel, officers, employees, consultants and contractors of the Group ("Staff") are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Group or within a period of the release of results i.e. the blackout period. That is information which a reasonable person would expect to have a material effect on the price or value of the Company's shares. Staff must receive authority to acquire or sell shares from the Chairman or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which Staff might not be aware. The undertaking of any trading in shares by a Director must be notified to the ASX.

Principle 4 - Safeguard the integrity of corporate reports

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

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

The Board does not have a separate Audit Committee and does not believe it is necessary in a Group of Lucapa's size. Instead, the four Board members, who each have extensive corporate, commercial and financial expertise, manage the financial oversight as well as advise on the modification and maintenance of the Group's financial reporting, internal control structure, external audit functions, and appropriate ethical standards for the management of the Group.

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

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

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

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

Principle 5 - Make timely and balanced disclosure

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

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

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

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

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

Principle 6 - Respect the rights of security holders

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

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

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

Shareholders have the option to receive all Company and share registry communications electronically and may also communicate with the Company by contacting the Company via email or its website. All shareholders have the ability to request copies of ASX releases, all of which are published and available on the Company's website immediately after they are released to ASX.

The Company regularly reviews its Shareholder Communication policy and endeavours to maintain a program appropriate for a company of its size and complexity.

Principle 7 - Recognise and manage risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board reviews the overall sustainability of both the diamond business and more specifically, the Group, in its normal course of business and therefore does not produce a separate sustainability report.

Principle 7 - Recognise and manage risk (continued)

Environmental and Social Risks

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

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

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

Principle 8 - Remunerate fairly and responsibly

The Company does not have a Remuneration Committee as the Board believes the business is neither the size nor complexity that requires such a function. Instead, the Board monitors and reviews the remuneration level and policy of the Group. The Board does engage an independent remuneration consultant to review the Group's policy on remuneration as and when required.

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

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

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

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

Corporate information

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

Basis of preparation

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

The basis of preparation of the financial report is set out below and in the notes to the consolidated financial statements. The financial statements were authorized 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.

As detailed in the Directors' report, for the year ended 31 December 2019, the Group recorded a loss after tax of US$3.3 million (2018: US$7.1 million). Whilst the Group achieved operational successes with diamond exploration, alluvial and kimberlite evaluation, development and mining, the year's revenues and trading results of both SML and Mothae were affected by the challenging environment in the diamond market impacting both demand and diamond prices.

As at 31 December 2019, the Group's assets exceeded liabilities by US$67.5 million (2018: US$67.2 million).

At the time of publishing this 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 recognise that the Group may have to source funding solutions and/ or restructure existing financing facilities in order to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

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

- The Group's staff, operations, partners and the diamond industry not continuing to be adversely impacted by 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.

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

- The duration and full impact of coronavirus is unknown;
- The Group's assets exceed its liabilities by US$67.5 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.
- The Group has historically been successful in restructuring existing and raising new debt facilities:
    - The Company amended the existing US$7.5 million debt facility with Equigold;
    - The Company raised a new debt facility of A$10.0 million with New Azilian;
    - The Group is in discussions with the IDC (Refer Note 7e) and New Azilian to restructure the principal and interest payments due on its facilities. At the time of publishing this report, these discussions had not concluded; and
    - The Company continues to review a number of finance restructuring possibilities, which have the potential to replace and reduce the costs of the Company's existing debt facilities.

However, despite the Group's previous track record in sourcing funds or restructuring debt facilities as above for its projects, there remains no assurance the Group in the future will be successful in obtaining funding required or restructuring debt facilities as and when needed. As a result of this uncertainty, and the discussions with financiers not having concluded, all facilities have been reflected as current borrowings.

Basis of preparation (continued)

In these circumstances, there exists a material uncertainty which may cast doubt as to whether the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustments relating to the 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 financial statements do not include any adjustments relating to the 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.

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2019

	Note	31 Dec 2019 US$000	Restated* 31 Dec 2018 US$000
Revenue	2	15,147	-
Cost of sales	3	(14,277)	-
Gross profit		**870**	**-**
Share of profit/ (loss) of associate	10	173	(2,740)
Royalties and selling expenses		(962)	-
Corporate expenses	3	(3,278)	(3,366)
Share-based payments	12	(270)	(794)
Foreign exchange gain	7	889	61
Operating loss		**(2,578)**	**(6,839)**
Finance cost	4	(4,554)	(53)
Finance income	4	53	77
Fair value adjustments	7	3,825	(97)
Loss before income tax		**(3,254)**	**(6,912)**
Income tax expense	5	(49)	(164)
Loss after income tax		**(3,303)**	**(7,076)**
Other comprehensive income/ (loss)		36	(337)
Total comprehensive loss for the year		**(3,267)**	**(7,413)**
(Loss)/ earnings per share		**Cents**	**Cents**
Basic loss per share (cents)	6	(0.67)	(1.63)
Diluted loss per share (cents)	6	(0.67)	(1.62)

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

* Refer to Note 17 for more information regarding prior year restatement

Consolidated statement of financial position
as at 31 December 2019

	Note	31 Dec 2019 US$000	31 Dec 2018 US$000
Assets			
Cash and cash equivalents	7	1,705	8,200
Trade and other receivables	7	2,050	1,950
Contract assets		100	-
Inventories	8	2,021	213
Other current financial assets	7	-	114
Total current assets		**5,876**	**10,477**
Property plant and equipment	9	60,570	58,272
Non-current financial assets	7	23,933	23,087
Investment in associate	10	4,741	6,167
Total non-current assets		**89,244**	**87,526**
Total assets		**95,120**	**98,003**
Liabilities			
Trade and other payables	7	3,967	5,996
Current borrowings	7	22,518	9,500
Total current liabilities		**26,485**	**15,496**
Non-current provisions	11	1,064	860
Non-current borrowings	7	-	14,455
Deferred tax liabilities	5	43	42
Total non-current liabilities		**1,107**	**15,357**
Total liabilities		**27,592**	**30,853**
Net assets		**67,528**	**67,150**
Equity			
Share capital	12	116,888	112,920
Reserves		(4,546)	(3,943)
Accumulated losses		(44,814)	(41,827)
Total equity		**67,528**	**67,150**

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

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Issued capital US$000	Share based payments reserve US$000	Foreign currency translation reserve US$000	Accumulated losses US$000	Total US$000
Balance at 1 January 2018	96,982	5,302	(5,289)	(37,344)	59,651
Comprehensive income for the period					
Loss for the period	-	-	-	(7,076)	(7,076)
Other comprehensive loss	-	-	(337)	-	(337)
Total comprehensive loss for the period	**-**	**-**	**(337)**	**(7,076)**	**(7,413)**
Transactions with owners, in their capacity as owners					
Issue of share capital	14,323	-	-	-	14,323
Issue of options	-	982	-	-	982
Expiry of options	-	(2,593)	-	2,593	-
Transfer of reserves on exercise of options	2,008	(2,008)	-	-	-
Share issue expenses	(393)	-	-	-	(393)
Total transactions with owners	**15,938**	**(3,619)**	**-**	**2,593**	**14,912**
Balance at 1 January 2019	**112,920**	**1,683**	**(5,626)**	**(41,827)**	**67,150**
Comprehensive income for the period					
Loss for the period	-	-	-	(3,303)	(3,303)
Other comprehensive income	-	-	36	-	36
Total comprehensive loss for the period	**-**	**-**	**36**	**(3,303)**	**(3,267)**
Transactions with owners, in their capacity as owners					
Issue of share capital	3,390	-	-	-	3,390
Issue of options	-	271	-	-	271
Expiry of options	-	(316)	-	316	-
Transfer of reserves on exercise of options	594	(594)	-	-	-
Share issue expenses	(16)	-	-	-	(16)
Total transactions with owners	**3,968**	**(639)**	**-**	**316**	**3,645**
Balance at 31 December 2019	**116,888**	**1,044**	**(5,590)**	**(44,814)**	**67,528**

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

Consolidated statement of cash flows
for the year ended 31 December 2019

	Note	31 Dec 2019 US$000	31 Dec 2018 US$000
Cash flows from operating activities			
Receipts from products and related debtors		15,298	-
Cash paid to suppliers and employees		(16,898)	(4,493)
Interest and finance cost		(2,059)	(7)
Interest received		53	78
Net cash used in operating activities		**(3,606)**	**(4,422)**
Cash flows from investing activities			
Payments for exploration costs		(485)	(1,197)
Proceeds from/ (payments to) associate		1,608	-
Payments for property plant and equipment		(3,806)	(19,364)
Net cash used in investing activities		**(2,683)**	**(20,561)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	12,504
Share issue costs		(16)	(214)
Repayment of borrowings		(6,986)	(34)
Proceeds from borrowings		6,909	13,232
Borrowing transaction costs		(20)	(380)
Net cash (used in)/ generated from financing activities		**(113)**	**25,108**
Net (decrease)/ increase in cash and cash equivalents		**(6,402)**	**125**
Cash and cash equivalents at beginning of period		8,200	8,296
Exchange loss on foreign cash balances		(93)	(221)
Cash and cash equivalents at end of period	7	**1,705**	**8,200**
Reconciliation of loss after tax to cash flows from operations:			
Loss for the period		(3,303)	(7,076)
Adjustments for:			
Depreciation expense		2,332	188
Director and employee options		270	793
Exchange gains		93	43
Interest received		-	(63)
Interest and other finance costs paid		2,497	47
Fair value loss on financial assets		(3,824)	(554)
Share of loss/ (profit) of associate		(173)	2,740
Other non cash items		(29)	1,695
Working Capital adjustments:			
Increase in inventory		(1,808)	(183)
(Decrease)/ increase in trade and other receivables		(212)	456
Decrease in trade and other payables relating to operating activities		551	(2,508)
Net cash used in operating activities		**(3,606)**	**(4,422)**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Refer Note 12 for details on non-cash financing and investing activities.

1. Segment reporting

Overview

	Mining		Exploration & Evaluation		Corporate		Total	
	31 Dec 2019 US$000	31 Dec 2018 US$000	31 Dec 2019 US$000	31 Dec 2018 US$000	31 Dec 2019 US$000	31 Dec 2018 US$000	31 Dec 2019 US$000	31 Dec 2018 US$000
Assets								
Cash and cash equivalents	1,533	3,874	2	2	170	4,324	1,705	8,200
Trade receivables and other current assets	1,447	1,569	-	-	603	381	2,050	1,950
Contract assets	100	-	-	-	-	-	100	-
Inventory	2,021	213	-	-	-	-	2,021	213
Financial assets	-	114	-	-	-	-	-	114
Total current assets	**5,101**	**5,770**	**2**	**2**	**773**	**4,705**	**5,876**	**10,477**
Property plant and equipment	41,043	40,964	19,154	17,253	373	55	60,570	58,272
Non-current financial assets	23,933	23,087	-	-	-	-	23,933	23,087
Investment in associate	4,741	6,167	-	-	-	-	4,741	6,167
Total non-current assets	**69,717**	**70,218**	**19,154**	**17,253**	**373**	**55**	**89,244**	**87,526**
Total assets	**74,818**	**75,988**	**19,156**	**17,255**	**1,146**	**4,760**	**95,120**	**98,003**
Liabilities								
Trade and other payables	3,610	5,451	-	-	357	545	3,967	5,996
Borrowings	22,518	8,218	-	-	-	1,282	22,518	9,500
Total current liabilities	**26,128**	**13,669**	**-**	**-**	**357**	**1,827**	**26,485**	**15,496**
Non-current provisions	1,064	860	-	-	-	-	1,064	860
Non-current borrowings	-	14,455	-	-	-	-	-	14,455
Total non-current liabilities	**1,064**	**15,315**	**-**	**-**	**-**	**-**	**1,064**	**15,315**
Total liabilities	**27,192**	**28,984**	**-**	**-**	**357**	**1,827**	**27,549**	**30,811**
Profit or loss								
(Loss)/ profit before income tax	(1,905)	(2,708)	-	1	(1,349)	(4,205)	(3,254)	(6,912)

1. Segment reporting (continued)

Further information

The Group engages in business activities within the following business segments: diamond mining in Africa, diamond exploration & evaluation projects in Africa and Australia and a corporate and administrative office in Western Australia to support and promote the other activities.

Accounting policy

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief decision-making body.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2. Revenue

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Revenue from contracts with customers		
Sale of goods	15,147	-
	15,147	**-**

Further information

The Group's revenue arises mainly from the sale of diamonds.

Accounting policy

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

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

The transaction price is the amount to which the Group expects to be entitled to in exchange for the transfer of goods and services and is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue from cutting and polishing partnerships is considered to be variable consideration and is recognised to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been resolved. This is generally the case when cutting and polishing work has substantially been completed and relative certainty exists over the quality of the final product or when the polished diamonds have been sold.

The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

3. Expenses

Overview

	Note	31 Dec 2019 US$000	31 Dec 2018 US$000
Breakdown of expenses by nature			
Raw materials, consumables and other input costs		9,482	-
Changes in inventories of finished goods and work in progress		(1,333)	-
Employee benefits expenses (excluding share based payments)		6,274	2,827
Depreciation and amortisation		2,332	183
Auditors remuneration		38	36
Mining and short term leases		128	171
Consulting fees and other administrative expenses		633	149
Total cost of sales and coprorate expenses		**17,555**	**3,366**
Employee benefits expenses			
Wages, salaries and director remuneration		5,988	2,494
Superannuation costs		127	115
Share-based payments	12	270	794
Other associated employee expenses		159	218
		6,544	**3,621**
Auditors remuneration			
Elderton Pty Ltd (Auditors of parent company & consolidation)			
Audit services		32	31
Other services		-	-
		32	**31**
Other group auditors (for subsidiary companies)			
Audit services		6	3
Other services		-	2
		6	**5**
		38	**36**

Accounting policy

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

Employee benefits

Short-term employee benefits

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

Long-term employee benefits

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

Termination benefits

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

Share based payments

Refer note 12.

4. Finance cost and income

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Finance cost		
Finance cost on borrowings	4,453	50
Interest expense on lease labilities	22	3
Unwinding of discount rate on rehabilitation liability	79	-
	4,554	**53**
Finance income		
Interest income on bank deposits	53	77
	53	**77**
Net finance cost/ (income) on financial instruments	**4,501**	(24)

Accounting policy

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

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

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

5. Income tax

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Current tax expense		
Current income tax charge	48	122
Current income tax adjustments relating to prior years	-	-
Deferred tax expense		
Relating to origination and reversal of temporary differences	1	42
Total income tax expense	**49**	**164**
Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate		
Net loss before tax	(3,254)	(6,912)
Income tax benefit using the Australian domestic tax rate of 30%	(976)	(2,074)
Increase in income tax due to tax effect of:		
Non-deductible expenses	814	1,496
Tax rate differential on foreign income	241	189
Current year tax losses not recognised	898	-
Impact of movement in unrecognised temporary differences	-	-
Foreign taxes paid	48	121
Share of loss of associate	-	822
Under provision in prior year	-	42
Decrease in income tax expense due to:		
Non-assessable income	(904)	-
Share of profit of associate	(52)	-
Impact of movement in unrecognised temporary differences	-	(57)
Utilisation of previously unrecognised tax losses	-	(151)
Recognition of previously unrecognised prior year tax losses	-	(197)
Deductible equity raising costs	(20)	(27)
Income tax expense	**49**	**164**
Recognised deferred tax assets and liabilities		
Recognised deferred tax assets		
Tax losses	10,007	9,356
Accruals & provisions	473	337
	10,480	**9,693**
Less: Set off of deferred tax liabilities	(10,480)	(9,693)
Net deferred tax assets	**-**	**-**
Recognised deferred tax liabilities		
Property plant and equipment	(9,213)	(8,425)
Capitalised interest and foreign exchange adjustments	(759)	(1,197)
Other	(551)	(113)
	(10,523)	**(9,735)**
Less: Set off of deferred tax assets	10,480	9,693
Net deferred tax liabilities	**(43)**	**(42)**
Deferred tax assets not recognised		
Tax revenue losses	12,172	8,870
Tax capital losses	4,561	4,659
Deductible temporary differences	25	79
	16,758	**13,608**

5. Income tax (continued)

Further information

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

Accounting policy

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

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

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

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

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

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

6. (Loss)/ earnings per share

Overview

	31 Dec 2019	31 Dec 2018
	Cents	**Cents**
Basic loss per share (cents per share)	(0.67)	(1.63)
Diluted loss per share (cents per share)	(0.67)	(1.62)
	US$000	**US$000**
Loss used in calculating earnings per share		
Loss attributable to members of the Company used in calculating basic earnings per share	(3,303)	(7,076)
Loss attributable to members of the Company used in calculating diluted earnings per share	(3,303)	(7,076)
	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	491,273,918	434,320,368
Weighted average number of ordinary shares outstanding during the period used in calculation of diluted earnings per share	492,567,767	437,988,374

Accounting policy

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

7. Financial instruments and financial risk management

Overview

	Note	31 Dec 2019 US$000	31 Dec 2018 US$000
Summary of carrying value of financial instruments			
Financial assets			
Cash and cash equivalents	7a	1,705	8,200
Trade and other receivables	7b	2,050	1,950
Other current financial assets	7c	-	114
Non-current financial assets	7c	23,933	23,087
		27,688	**33,351**
Financial liabilities			
Trade and other payables	7d	3,967	5,996
Current borrowings	7e	22,518	9,500
Non-current borrowings	7e	-	14,455
		26,485	**29,951**
Summary of amounts recognised in profit or loss			
Fair value adjustments			
Gain in respect of the alluvial project receivable		2,958	658
Gain/ (loss) on borrowing embedded derivatives		867	(104)
Loss on foreign currency direvative		-	(651)
		3,825	**(97)**
Foreign exchange gain			
Gain on revaluation of intergroup loans		789	-
Gain on other financial instruments		100	61
		889	**61**
Net finance cost/ (income) on financial instruments	4	4,501	(24)

Further information

Financial risk management

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

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

7. Financial instruments and financial risk management (continued)

Market risk

- **Commodity price risk**
  The Group is focused on its diamond mining and exploration interests in Africa and Australia. Accordingly, the Group is exposed to the global pricing structures of the diamond market.

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

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

Credit risk

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

Liquidity risk

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

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

Capital risk management

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

Fair value hierarchy

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

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

- the SML receivable (Note 7c): level 3 due to the use of unobservable inputs;
- the Equigold and New Azilian embedded derivatives: level 1 due to the use of market based and observable inputs;
- other financial assets and liabilities approximate net fair value, determined in accordance with the accounting policies.

7. Financial instruments and financial risk management (continued)

Accounting policy

Recognition, initial measurement and derecognition

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

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

Subsequent measurement of financial assets

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

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

Financial assets at amortised cost

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

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

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

Financial assets at fair value through profit or loss

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

Subsequent measurement of financial liabilities

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

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

Leases

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

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

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

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

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

7. Financial instruments and financial risk management (continued)

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

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

Determination of fair values

Trade and other receivables

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

Financial liabilities

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

Significant accounting judgements, estimates and assumptions

Financial assets

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

7a. Cash and cash equivalents

	31 Dec 2019 US$000	31 Dec 2018 US$000
Balances on hand		
Bank balances	1,705	8,200
	1,705	**8,200**
Foreign exchange risk		
Cash balances exposed to foreign currency risk, based on notional amount	105	914
Interest rate risk		
Cash balances held at variable interest rates	1,705	8,200
Average rate for 2019: 1.2% (2018: 2.6%)		

7b. Trade and other receivables

	31 Dec 2019 US$000	31 Dec 2018 US$000
Current		
GST/ VAT receivable	1,316	1,475
Prepayments and other receivables	734	475
	2,050	**1,950**
Foreign exchange risk		
Receivable balances exposed to foreign currency risk, based on notional amounts	649	303
Interest rate risk		
Non-interest bearing balances	2,050	1,950

7c. Financial assets

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Current financial assets		
Foreign currency derivatives	-	-
Other short term financial assets	-	114
Total	**-**	**114**
Non current financial assets		
Receivable in respect of SML		
At 1 January	23,087	25,778
Investment during the period	1,515	101
Repayment received	(2,110)	-
Transferred to Deferred exploration and evaluation costs (note 9)	(1,516)	(3,450)
	20,976	**22,429**
Fair value adjustment due to discounting	2,957	658
At end of period	**23,933**	**23,087**
Interest rate risk		
Balances held at fixed interest rates	-	114
Average rate for 2019: 2.95% (2018: 2.95%)		
Non-interest bearing balances	23,933	23,087

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, prices and delays in the timing of repayments which will decrease the fair value estimate. A discount rate of 11.89% (2018: 14.55%) has been applied in the fair value calculation.

7d. Trade and other payables

	31 Dec 2019 US$000	31 Dec 2018 US$000
Trade payables	1,251	1,475
Mothae deferred purchase consideration	1,125	3,375
Accruals and other payables	1,591	1,146
Total	**3,967**	**5,996**
Foreign exchange risk		
Payable balances exposed to foreign currency risk, based on notional amounts	334	502
Interest rate risk		
Non-interest bearing balances	3,967	5,996
Liquidity risk		
Contractual maturities profile		
Payable within one year	3,967	5,996

7e. Borrowings

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Current borrowings		
Lease liabilities	255	5
Other short-term loans	21,612	9,495
Current loans - Embedded derivatives	651	-
Total	**22,518**	**9,500**
Non-current borrowings		
Lease liabilities	-	20
Other non-current loans	-	12,960
Other non-current loans - Embedded derivatives	-	1,475
Total	**-**	**14,455**
Foreign exchange risk		
Borrowings exposed to foreign currency risk, based on notional amounts	7,415	-
Interest rate risk		
Balances at variable interest rates	7,136	6,883
Average rate for 2019: 18.1% (2018: 18.3%)		
Refer interest rate sensitivity analysis below		
Balances at fixed interest rates	15,382	17,073
Average rate for 2019: 11.8% (2018: 12.5%)		
Liquidity risk		
Contractual maturities profile, including estimated interest payments and excluding the impact of netting agreements		
Borrowings		
Payable within one year	15,846	12,083
Payable after one year but less than five years	9,901	17,080
Payable after more than five years	-	-
Leases		
Payable within one year	126	7
Payable after one year but less than five years	164	24
Payable after more than five years	-	-
Other disclosures		
Cash outflow in respect of leases	68	4

7e. Borrowings (continued)

Further information

Terms and conditions

The loan amounts reflect the balances due to Equigold, IDC and New Azilian. In the current year, all loans are reflected as current borrowings as per the Directors' report. The terms of the loans include the following:

Equigold

- Loan facility of US$7.5 million (2018: US$15 million facility fully utilised);
- The principal balance is repayable in eight quarterly payments commencing April 2020;
- Market related fees were payable on draw down and with interest payments;
- Equigold, at its election, can convert the last quarterly payment into ordinary shares in the Company at the then market price;
- Interest is payable at 13% pa;
- Lucapa, at its election, can convert fees and quarterly interest into ordinary shares in the Company at the then market price;
- 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 ZAR100m (US$6.9 million), fully utilised at the end of the period;
- The capital balance is repayable in nine quarterly payments commencing January 2020;
- Interest is payable quarterly based on the Johannesburg Interbank Average Rate (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.

New Azilian

- New Azilian is an entity associated with non-executive director Ross Stanley;
- Loan facility of A$10 million (US$7 million), fully utilised at the end of the period;
- The principal balance is repayable in May 2020;
- Interest is payable quarterly at 10% pa;
- Lucapa and New Azilian can each elect to convert 50% of the quarterly interest into ordinary shares in the Company at the higher of A$0.185 and the then market price;
- 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 Diamonds (Pty) Ltd.

As referred to in the Debt refinancing section, the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa.

The lockdown imposed by the South African Government and other restrictions imposed to restrict the spread of coronavirus will potentially trigger default clauses in the Group's loan agreements. However, as set out in the ASX announcement of 30 January 2020, Mothae is currently in advanced discussions with the Industrial Development Corporation of South Africa ("IDC") regarding the restructure of the IDC debt facility.

Lucapa is also continuing discussions with New Azilian and Equigold regarding their corporate loan facilities (Refer ASX announcement 30 January 2020).

At the time of publishing this annual report, the discussions with the IDC, New Azilian and Equigold were not concluded.

Lease liabilities

- The Group has 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.

7e. Borrowings (continued)

Embedded derivative assumptions

Equigold - recognised at fair value, using a Black Scholes valuation with the following inputs:

- LOM share price at measurement date: A$0.12 (2018: A$0.205);
- Exercise price: A$0.113 (2018: A$0.193); Estimated volatility: 60% (2018: 75%);
- Expiry date: 1 Oct 2021/1 Jan 2022; Risk-free interest rate: 1.21% (2018: 2.19%).

New Azilian - recognised at fair value, using a Black Scholes valuation with the following inputs:

- LOM share price at measurement date: A$0.12;
- Exercise price: A$0.185; Estimated volatility: 60%;

Expiry date: Quarterly; Risk-free interest rate: 1.21%.

Cash flow sensitivity analysis for variable rate instruments

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

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

8. Inventories

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Diamond inventory	1,254	-
Ore stockpiles	25	
Consumables and other inventory	742	213
	2,021	**213**

Further information

During the year, US$2.0 million (2018: US$ nil) was recognised as an expense under cost of sales for inventories carried at net realisable value.

Accounting policy

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

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

9. 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 2018	12,723	13,323	8,558	-	-	-	128	34,732
Additions	7,524	3,743	15,601	-	59	-	206	27,133
Reclassifications	553	(55)	(492)	-	-	-	(6)	-
Disposals	-	-	-	-	-	-	(14)	(14)
Foreign currency movements	(298)	(423)	(2,295)	-	(5)	-	(23)	(3,044)
Balance at 31 December 2018	**20,502**	**16,588**	**21,372**	**-**	**54**	**-**	**291**	**58,807**
Additions	1,881	1,241	851	177	95	389	415	5,049
Reclassifications and pre-production revenue	(819)	1,158	(2,506)	-	-	-	819	(1,348)
Disposals	-	-	-	-	-	-	(11)	(11)
Foreign currency movements	71	314	477	6	4	-	119	991
Balance at 31 December 2019	**21,635**	**19,301**	**20,194**	**183**	**153**	**389**	**1,633**	**63,488**
Accumulated depreciation								
Balance at 1 January 2018	-	338	-	-	-	-	24	362
Amortisation/ depreciation charge for the year	-	155	1	-	-	-	27	183
Disposals	-	-	-	-	-	-	(8)	(8)
Foreign currency movements	-	-	-	-	-	-	(2)	(2)
Balance at 31 December 2018	**-**	**493**	**1**	**-**	**-**	**-**	**41**	**535**
Amortisation/ depreciation charge for the year	-	660	1,218	71	10	86	287	2,332
Disposals	-	-	-	-	-	-	(5)	(5)
Foreign currency movements	-	15	26	3	-	-	12	56
Balance at 31 December 2019	**-**	**1,168**	**1,245**	**74**	**10**	**86**	**335**	**2,918**
Net carrying amounts								
At 31 December 2018	20,502	16,095	21,371	-	54	-	250	58,272
At 31 December 2019	**21,635**	**18,133**	**18,949**	**109**	**143**	**303**	**1,298**	**60,570**

9. 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 Venture ("the JV"), an unincorporated entity classified as a joint operation that operates under the terms of a Mineral Investment Contract entered into between the partners. Accordingly, the Group's interest in the assets, liabilities, revenues and expenses attributable to the JV have been included in the appropriate line items in the consolidated financial statements. Deferred exploration and evaluation costs of US$17.1 million (31 December 2018: US$15.4 million) in the schedule above are related to the JV.

Other assets

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

Suspension of operations at Mothae

As referred to in the Events subsequent to reporting date section, the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa (Refer also Debt refinancing section).

No impairment has been recognised at the reporting date due to the uncertainty and as the suspension is considered to be temporary. In addition, the mining and processing operations can be restarted relatively quickly.

Accounting policy

Recognition and measurement

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

Mine development

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

9. Property plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Property plant and equipment (continued)

Significant accounting judgements, estimates and assumptions

Asset useful lives and residual values

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

Valuation of mineral properties

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

Exploration and evaluation assets

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

Development

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

Mineral resource, ore reserves and production target* estimates

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

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

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

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

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

10. Investment in associate

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Summarised financial information of SML		
Current assets	12,658	12,675
Non-current assets	30,181	27,713
Current liabilities	12,683	7,583
Non-current liabilities	23,933	23,016
Equity	**6,223**	**9,789**
Group's carrying amount of the investment	4,741	6,167
Revenue	39,985	26,418
Cost of sales	(23,629)	(24,972)
Administrative and selling expenses	(9,858)	(6,774)
Fair value adjustments	(3,028)	1,827
Profit/ (loss) before tax	**3,470**	**(3,501)**
Income tax expense	(3,035)	(3,349)
Profit/ (loss) for the period	**435**	**(6,850)**
Total comprehensive income / (loss) for the period	**435**	**(6,850)**
Group's share of profit/ (loss) for the period	**173**	**(2,740)**
SML EBITDA*	12,927	(2,013)
SML contingent liabilities	-	-
SML Capital commitments		
Payable within one year		
- Approved, not yet contracted	554	2,891
- Approved and contracted	3,128	6,925

*Earnings before interest, tax, depreciation & amortisation, fair value adjustments and other non-trading items.

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. In accordance with the Group's accounting policy the 2018 dividend declared by SML of US$1.6 million has been netted off the carrying amount of the investment. The earnings of SML include fair value adjustments in relation to the discounting of the financial asset of Lucapa reflected under note 7c.

Accounting policy

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

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

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

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

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

11. Non-current provisions

Overview

	31 Dec 2019 US$000	31 Dec 2018 US$000
Provision for environmental rehabilitation		
At 1 January	860	936
Increase/ (decrease) during the year	95	(8)
Unwinding of discount rate	79	67
Foreign exchange difference	30	(135)
At end of period	**1,064**	**860**

Further information

The provision for rehabilitation has been recognised in respect of the Mothae kimberlite project. It is based on the expected rehabilitation cost over the life of the mine and discounted back to present value using a pre-tax discount rate that reflects current market assessments. Assumptions include an estimated rehabilitation timing of 12 to 18 years, an annual inflation rate of 4.6% (2018: 5.4%) and a discount rate of 7.96% (2018: 9.18%).

Accounting policy

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

Asset retirement obligations

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

Environmental liabilities

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

Significant accounting judgements, estimates and assumptions

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

12. Share capital and share-based payments

Overview

	31 Dec 2019	
	Number	**US$000**
Listed securities		
Movement in ordinary shares		
On issue at beginning of period	467,188,633	112,920
Issue of shares	28,647,200	3,390
Issue of shares on exercise of options and performance rights	3,286,594	594
Transaction costs	-	(16)
On issue at end of period	**499,122,427**	**116,888**

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

	31 Dec 2019	31 Dec 2018
Weighted average remaining contractual life of share options and performance rights in issue (years)	-	1.45
Weighted average Lucapa share price during the period/ year (A$)	0.16	0.25
	US$000	**US$000**
Share-based payment recognised		
Profit or Loss		
Director and employee options	270	794
Non-cash financing and investing activities		
Share issue expenses	-	179
Loan funding	3,390	1,819
Deferred exploration and evaluation costs	2	9
	3,662	**2,801**

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

Share options and Performance rights in issue

	Share options						Performance rights			
Exercise price (A$)	**$0.53**	**$0.53**	**$0.45**	**$0.35**	**$0.46**	**$0.4355**	**$0.00**	**$0.00**	**$0.00**	**Weighted average price (A$)**
Expiry date	**02-Jun-19**	**15-May-19**	**24-May-20**	**20-Apr-20**	**31-May-20**	**07-Jun-21**	**31-May-20**	**07-Jun-21**	**01-Apr-22**	
Number on issue at beginning of period	2,925,000	500,000	250,000	2,500,000	2,250,000	1,301,000	585,000	2,832,502	-	0.34
Issue of options/ performance rights	-	-	-	-	-	-	-	-	1,874,520	-
Exercise of options/ performance rights	-	-	-	-	-	-	(112,500)	(2,549,250)	(624,844)	-
Expiry/ lapsing of options/ performance rights	(2,925,000)	(500,000)	-	-	-	-	(410,000)	(283,252)	-	0.44
On issue at end of period	**-**	**-**	**250,000**	**2,500,000**	**2,250,000**	**1,301,000**	**62,500**	**-**	**1,249,676**	0.34
Exercisable at end of period	-	-	250,000	2,500,000	2,250,000	867,333	-	-	-	
Assumptions used in estimating fair value of grants in current period:										
Grant date									01-Apr-19	
LOM share price at grant date (A$)									0.185	
Estimated volatility									65%	
Risk-free interest rate									1.78%	
Fair value per option/ right (A$)									0.185	

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

Accounting policy

Share capital

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

Share based payments

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

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

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

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

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

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

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

Determination of fair values

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

Significant accounting judgements, estimates and assumptions

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

13. Commitments and contingencies

	31 Dec 2019 US$000	31 Dec 2018 US$000
Operating lease commitments iro mining and exploration rights		
Minimum lease payments under non-cancellable operating lease agreements		
Payable within one year	108	91
Payable after one year but less than five years	484	375
Payable after more than five years	319	371
	911	**837**
Capital commitments		
Payable within one year		
Approved, not yet contracted	1,709	4,206
Approved and contracted	-	355

Contingencies
The Group did not have any contingent liabilities as at 31 December 2019 (2018: Nil).

14. Parent entity information

	31 Dec 2019 US$000	31 Dec 2018 US$000
Current assets	792	4,771
Total assets	93,294	92,373
Current liabilities	20,246	13,420
Total liabilities	16,843	20,992
Share capital	116,888	112,920
Reserves	(4,581)	(3,849)
Accumulated losses	(35,856)	(37,690)
	76,451	**71,381**
Profit/ (loss) for the period	1,518	(3,263)
Total comprehensive income/ (loss) for the period	1,518	(3,263)

15. Related party disclosures

Overview

	31 Dec 2019 US$	31 Dec 2018 US$
Key management personnel compensation		
Short-term employee benefits	902,067	1,313,960
Post-employment benefits	46,845	48,118
Share-based payments	35,309	528,322
	984,220	**1,890,400**
Other related party transactions		
The following payments, relating to office rent and associated costs were made to entities associated with director Miles Kennedy:		
Kennedy Holdings (WA) Pty Ltd	115,150	62,832
The following payments, relating to professional services supplied were made to director Albert Thamm:		
Competent Person services	-	6,350
Loan facility agreement with an entity associated with non-executive Director Ross Stanley:		
Amount due to New Azilian Pty Ltd (refer note 7)	7,182,635	1,282,564
Finance cost for period	551,541	14,975

Further information

Individual Directors' and executives' compensation disclosures

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

Key management personnel and director transactions

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

16. Group information

	31 Dec 2019 %	31 Dec 2018 %
The consolidated financial statements of the Group include the following subsidiaries:		
Lucapa Diamonds (Botswana) (Proprietary) Limited		
Incorporated in Botswana		
Equity interest held	100	100
Brooking Diamonds Pty Ltd		
Incorporated in Australia		
Equity interest held	100	100
Mothae Diamonds (Pty) Ltd		
Incorporated in the Kingdom of Lesotho		
Equity interest held	70	70
Lucapa (Mauritius) Holdings Limited		
Incorporated in Mauritius		
Equity interest held	100	100

17. Other significant accounting policies

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

Effective from the beginning of the year, the Group changed the classification basis of expenses presented in profit or loss from using the nature of expenses to being based on function. Previously, during the exploration and development phases of the Group's businesses, the nature of expenses was considered to be most appropriate classification basis. Following the commencement of commercial production at Mothae, the Board decided that using a functional classification is more appropriate going forward. The comparative expenses for the previous period have been re-stated on a similar basis. This change in presentation has had no impact on the bottom-line results of the Group.

New or revised accounting policies
The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- AASB 16 Leases;
- Interpretation 23 Uncertainty over Income Tax Treatments;
- AASB 2017-6 Amendments to Australian Accounting Standards: Prepayment Features with Negative Compensation (AASB 9);
- AASB 2017-7 Amendments to Australian Accounting Standards: Long-term Interests in Associates and Joint Ventures (AASB 128);
- AASB 2018-1 Amendments to Australian Accounting Standards: Annual Improvements 2015-2017 Cycle (AASB 3, AASB 11, AASB 112 & AASB 123); and
- AASB 2018-2 Amendments to Australian Accounting Standards: Plan Amendment, Curtailment or Settlement (AASB 119).

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

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

- AASB 17 Insurance contracts;
- AASB 2018-5 Amendments to Australian Accounting Standards Deferral of AASB 1059;
- AASB 2018-7 Amendments to Australian Accounting Standards Definition of Material (AASB 101 and AASB 108);
- AASB 2018-6 Amendments to Australian Accounting Standards Definition of a Business (AASB 3);
- Revised Conceptual Framework for Financial Reporting. AASB 2019-1 Amendments to Australian Accounting Standards References to the Conceptual Framework;
- AASB 2014-10 Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- AASB 2015-10 Amendments to Australian Accounting Standards Effective Date of Amendments to AASB 10 and AASB 128; and
- AASB 2017-5 Amendments to Australian Accounting Standards Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

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

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

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

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

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

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

17. Other significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. Other significant accounting policies (continued)

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

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

Significant accounting judgements, estimates and assumptions

The Group assesses impairment at the end of each reporting year by evaluating specific conditions that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations which incorporate various key assumptions, including estimating diamond prices.

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

Goods and services tax/ Value added tax

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

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

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

Determination of fair values

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

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

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

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

Rounding of amounts

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

18. Events subsequent to reporting date

On 6 January 2020, Lucapa announced record annual diamond production of 49,120 carats in 2019 from Mothae and Lulo, on a 100% basis.

On 9 January 2020, Lucapa announced the recovery of a 117 carat diamond from Lulo, the 14th +100 carat diamond recovered to date and the first for 2020.

On 14 January 2020, Lucapa announced that a 36 carat rough diamond from Mothae had been manufactured into six polished D-colour diamonds under a cutting & polishing partnership with a leading international diamantaire. The diamonds included a flawless 8.88 carat Pear shaped diamond.

On 29 January 2020, Lucapa announced SML had entered into a cutting & polishing agreement with leading diamond manufacturing group Safdico International, a subsidiary of high-end jewellery house Graff International.

On 30 January 2020, Lucapa released its Quarterly Activities Report for the period ended 31 December 2019.

On 12 February 2020, Lucapa announced combined diamond sales totalling US$5.5 million from Lulo and Mothae.

On 19 February 2020, Lucapa announced that 45 diamonds of up to 3.75 carats had been recovered from the stream bulk sample taken from the Canguige tributary at Lulo as part of the kimberlite exploration program.

On 21 February 2020, Lucapa announced that follow-up analysis of the 45 diamonds confirmed the presence of top D-colour and Type IIa gems, along with a light fancy yellow.

On 25 February 2020, Lucapa announced that SML had sold a parcel of 1,223 carats of Lulo diamonds for US$1.9 million, representing an average price of US$1,535 per carat.

On 26 February 2020, Lucapa released a presentation updating the Lulo kimberlite exploration program.

On 4 March 2020, Lucapa announced a $2.8 million share placement and documentation for a 1-14 rights issue to raise up to $3.9 million. Lucapa also released an update on the Lulo kimberlite exploration program.

On 16 March 2020, Lucapa announced an updated Lulo Diamond Resource, where in-situ resource carats increased 25% to 100,700 carats at an increased modelled value of US$1,620/ carat.

On 17 March 2020, Lucapa announced an extension to the rights issue closing date to 30 March 2020.

On 18 March 2020, Lucapa announced the recovery of a 64 carat top-quality diamond from Mothae as well as a small blue diamond.

On 23 March 2020, Lucapa announced updated progress on the Lulo kimberlite exploration program.

On 24 March 2020, Lucapa announced the sale by SML of the 46 carat pink Lulo diamond for US$2.5 million into a cutting & polishing partnership with Safdico. At the same time, Lucapa announced that SML would receive US$1.5 million as its first share of profits from the polishing partnership agreement with Safdico.

On 25 March 2020, Lucapa announced that the imposition of a 21-day lockdown in South Africa from 26 March 2020 to reduce the spread of coronavirus forced Lucapa and its partner, the GoL, to suspend mining operations at the Mothae kimberlite mine, with appropriate security measures, due to restrictions in the flow of essential mining supplies and services across the border from South Africa (Refer also Debt refinancing section).

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, and the remuneration report in the Directors' Report, as set out on pages 10 to 72, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial period ended on that date; and

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

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in the Statement of compliance on page 34; and

   (c) 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.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 for the financial year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.

MILES KENNEDY
Chairman

Dated this 25 March 2020

ELDERTON
AUDIT PTY LTD

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lucapa Diamond Company Limited ("Lucapa" or "the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Material uncertainty related to going concern

We draw attention to the Basis of Preparation note on page 34 of the financial report, which describes that the ability of the Group to continue as a going concern is dependent on cash generation from its mining projects, cash management, and/or the use of debt finance. Without such sources, further equity issues to the market may be required. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Emphasis of matter – material uncertainty regarding continuation as a going concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

Valuation of receivable from Sociedade Mineira do Lulo, Lda

Refer to Note 7c Financial Assets

Key Audit Matter	How our audit addressed the key audit matter
The Group has a balance receivable as at 31 December 2019 of US$23,933,160 from its associated entity, Sociedade Mineira do Lulo, Lda ("SML"). This balance has been presented at its fair value, in accordance with the provisions of AASB 13 *Fair Value Measurement*. To take account of this requirement, Management of the Group has discounted the gross value receivable at an annual discount rate of 11.89%, taking account of the time value of money, based on estimated dates of cashflows from SML to Lucapa.	Our audit work included, but was not restricted to, the following: • We obtained a loan confirmation of the gross value receivable from SML to Lucapa; • We obtained the Group's calculation of the discounted cashflows from SML to Lucapa, and re-tested the workings to ensure the discounting process had been accurately performed; • We obtained third party verification of the discount rate applied by Management, and evaluated the reliability of the source data; and • We evaluated the board's application of estimates and judgements, with reference to AASB 13, to ensure that the accounting applied was fully compliant with accounting standards.

Deferred Exploration and Evaluation Costs

Refer to Note 9 Property Plant and Equipment

Key Audit Matter	How our audit addressed the key audit matter
At 31 December 2019, the Group has incurred significant exploration and evaluation expenditure which has been capitalised. As the carrying value of exploration and evaluation expenditures represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount. Management of the Group considered whether there were any indicators of impairment. The Group capitalises exploration and evaluation expenditure in line with AASB 6 *Exploration for and Evaluation of Mineral Resources*. The assessment of each asset's future perspectivity requires significant judgement. There is a risk that amounts are capitalised which no longer meet the recognition criteria of AASB 6.	Our audit work included, but was not restricted to, the following: • We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by obtaining valid contracts giving the Group rights to explore, for a sample of capitalised exploration costs; • We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the Group's area of interest were planned; • We enquired with management, reviewed announcements made and reviewed minutes of directors' meetings to ensure that the company had not decided to discontinue activities in any of its areas of interest; and • We enquired with management to ensure that the Group had not decided to proceed with development of a specific area of interest, yet the carrying amount of the exploration and evaluation asset was unlikely to be recovered in full from successful development or sale.

Decentralized Operations

Refer to Note 16 Group Information and Note 9 Property Plant and Equipment

Key Audit Matter	How our audit addressed the key audit matter
Lucapa is a group with subsidiaries in Mothae, Botswana and Mauritius and a joint arrangement in Angola. These decentralized operations require adequate monitoring activities from an internal control perspective. Also in our role as group auditor it is essential that we obtain an appropriate level of understanding of the subsidiaries and the joint operation and the component auditor's work on the significant subsidiary in Mothae.	Our audit work included, but was not restricted to, the following: • We have evaluated the group's internal controls, including centralized monitoring controls that exist at both group and segment level. • In our audit approach we have specifically focused on risks in relation to decentralised structure and we have been closely involved in the audit performed at Mothae, being the most significant subsidiary outside of Australia. • We also performed tests on consolidation adjustments and manual journal entries, both at group and component level to obtain an understanding of significant entries made. • Tested a sample of expenditure incurred in the joint operation to supporting invoices or other documentation.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the year ended 31 December 2019 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 16-19 of the directors' report for the year ended 31 December 2019.

In our opinion the Remuneration Report of Lucapa Diamond Company Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Elderton Audit Pty Ltd

Rafay Nabeel
Audit Director
25 March 2020
Perth

Additional information current as at 19 March 2020 required by Australia Securities Exchange Limited Rules and not disclosed elsewhere in this Report.

Capital structure

Ordinary Share Capital
525,022,343 ordinary fully paid shares held by 5,646 shareholders.

Spread			Number of Holders	Number of Shares
1	to	1,000	121	35,405
1,001	to	5,000	1,753	5,495,723
5,001	to	10,000	1,021	8,263,510
10,001	to	100,000	2,153	75,062,420
100,001 and above			598	436,165,285

As at 19 March 2020 there were 1,192 fully paid ordinary shareholders holding less than a marketable parcel.

Voting rights

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

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

On-market buy-back

There is no current on-market buy back.

Substantial shareholders

As at 19 March 2020, substantial shareholder notices had been lodged with ASX by the following shareholders:

Fully Paid Ordinary Shares Name	Number Held	% of Issued Capital
Tazga Two Pty Ltd as trustee For Tazga Two Trust	39,250,456	8.58%
Equigold Pte Ltd	38,237,578	7.71%

Note: The above details may not reconcile to the information in the Top 20 holders of quoted securities list as the shares may be held across multiple associated holdings or if updated substantial shareholder notices have not been required to be lodged with ASX.

Top 20 holders of quoted securities

Fully Paid Ordinary Shares Name	Number Held	% of Issued Capital
TAZGA TWO PL	41,972,999	7.99%
EQUIGOLD PTE LTD	41,460,928	7.90%
J P MORGAN NOM AUST PL	16,720,516	3.18%
ZERO NOM PL	16,400,000	3.12%
PULLINGTON INV PL	10,760,117	2.05%
ILWELLA PL	9,798,367	1.87%
SAGILI PTY LTD	9,090,909	1.73%
CARRINGTON CORP PL	8,982,619	1.71%
IMPALA SUPER NOM PL	7,300,000	1.39%
CITICORP NOM PL	6,465,618	1.23%
CS THIRD NOM PL	6,271,880	1.19%
ONE DOG ONE BONE PL	5,700,000	1.09%
GREGORACH PL	5,659,407	1.08%
MR CHRISTOPHER PAUL LAWRENCE	5,150,000	0.98%
MS ANNA COXON	5,000,000	0.95%
MR PETER RICHARD ROBINSON & MRS TOBEY TERESA ROBINSON & MISS KIMBERLEY JANE ROBINSON	4,473,913	0.85%
GREGORACH PTY LTD	4,023,873	0.77%
SLADE TECHNOLOGIES PL	3,977,334	0.76%
HSBC CUSTODY NOMINEES (AUST) LIMITED	3,286,199	0.63%
MR DEREK DECLAN BRUTON	3,250,000	0.62%
	215,744,679	**41.09%**

Unlisted option holders

There is 1 holder of $0.35 unlisted options expiring 20 April 2020.
There are 5 holders of $0.45 unlisted options expiring 24 May 2020.
There are 12 holders of $0.46 unlisted options expiring 31 May 2020.
There are 13 holders of $0.4355 unlisted options expiring 7 June 2021.

Performance rights

There is 1 holder of Performance Rights expiring 31 May 2020.
There are 12 holders of Performance Rights expiring 1 April 2022.

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 and, in the case of estimates of Mineral Resources relating to Mothae that all material assumptions and technical parameters underpinning the estimates in the market announcement dated 24 March 2017 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. 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.