



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

QUARTER HIGHLIGHTS

- ❖ Record A\$14 million SML dividend and A\$14 million SML capital loan repayment approved by Lulo shareholders – Lucapa’s share of ~A\$19 million in process of being repatriated
- ❖ Completed transformative 100% acquisition of 4.4 million carat Merlin Diamond Project in Australia
 - Scoping Study published demonstrating strong economics to be a long-life diamond producer
 - Terminated historic back-in and milestone payments rights and completed geotechnical drilling
- ❖ 13 diamonds recovered from L028 kimberlite bulk sample at Lulo
 - Highest number of diamonds recovered from any kimberlite sampled in the Canguige catchment
 - Eight of the 13 stones recovered are rare Type IIa diamonds
- ❖ Standalone kimberlite bulk sampling plant at Lulo due for commissioning end Q1 2022
- ❖ Three new high-interest targets identified at Brooking, WA

FULL YEAR HIGHLIGHTS

- ❖ Record full year revenue of A\$135 million @ A\$2,150/ carat (on a 100% basis)
- ❖ Record full year attributable¹
 - Revenue (unaudited) of A\$65 million @ A\$1,780/ carat
 - EBITDA estimate (unaudited) of A\$21 to A\$23 million
- ❖ Additional alluvial & kimberlite exploration at Lulo late in the Quarter and crusher foundation repair & improvements at Mothae resulted in estimated EBITDA finishing slightly behind guidance
 - Mothae plant improvements completed, operating at full capacity since December
- ❖ Lulo and Mothae operations achieved annual records for:
 - Volumes processed, carats recovered & sold and diamond revenues
- ❖ Strong balance sheet with proforma cash & receivables estimate of ~A\$29 million (A\$10.1 million cash balance at year end plus Lucapa’s share of SML dividend and capital loan repayment)
- ❖ Significantly positive year for the diamond industry and strong outlook for 2022

Lucapa Diamond Company Limited (ASX: **LOM**) (“**Lucapa**” or “**the Company**”) is pleased to present its quarterly activities report for the Quarter ended 31 December 2021 (the “**Quarter**” or “**Q4**”).

TABLE 1: TOTAL ATTRIBUTABLE¹ OPERATIONAL RESULTS

	Q4 2021		Q4 2021 YTD	
	Total Attributable	% Variance 2021 to 2020	Total Attributable	% Variance 2021 to 2020
Tonnes processed ²	272,681	13%	1,116,381	91%
Carats recovered	7,201	0%	32,567	69%
Rough price/ carat (US\$)	1,448	-7%	1,335	46%
Rough diamond revenues (US\$m)	13.0	393%	48.7	246%
Rough diamond revenues (A\$m)	18.0	401%	64.8	216%
Cash and receivables (A\$m)	25.8	194%		
Development loans owing to Lucapa (A\$m)	52.7	5%		
External debt (A\$m)	24.8	-15%		

Managing Director, Stephen Wetherall, commented “2021 was a year of operational growth and consolidation for Lucapa. We achieved record operational and financial performances, advanced our exciting primary source exploration programs and made the transformative acquisition of the Merlin Diamond Project in Australia.

¹ Attributable ownership in the projects based on Lucapa’s holding. This is a non-AIFRS measure. For statutory reporting purposes, SML is equity accounted given Lucapa holds a 40% interest and Mothae is consolidated given Lucapa holds a 70% interest

² Lulo mine volume processed has been converted from bulked m³ to tonnes

“The commissioning of the standalone kimberlite bulk sample plant at Lulo towards the end of Q1 2022, will see kimberlite bulk samples being processed without hindrance going forward as there will be no reliance on the alluvial operations to allocate processing capacity.

“Our high-quality mines are operating well, our primary source exploration programs are well poised, the Merlin feasibility study is already underway and with the diamond market expected to continue its positive trend we approach 2022 with confidence and determination to continue to execute our strategy and grow Lucapa into a mid-tier diamond company spanning the entire diamond value chain.”

FULL YEAR ATTRIBUTABLE EBITDA

TABLE 2: FULL YEAR CY2021 ATTRIBUTABLE EBITDA* COMPARED TO GUIDANCE

		Lulo (40% Attributable)	Mothae (70% Attributable)	Corporate (100% Attributable)	Lucapa (Total Attributable)
Full year guidance [^]		23 - 25	6 - 7	(3) - (4)	26 - 28
Full year estimate (unaudited) [#]	A\$m	19 - 20	5 - 6	(3) - (3)	21 - 23

* EBITDA, a non-AIFRS measure, is equal to rough diamond revenue less total cash operating costs (including ore/ gravel and waste/ overburden mining, processing, on- and off-site overhead costs, royalties and selling costs and inventory movements)

[^] As per ASX announcement on 14 October 2021

[#] Unaudited estimate by Company. Audited financial results to be released as per reporting cycle before 31 March 2022

The Company is estimating full year attributable EBITDA (unaudited) at between A\$21 – A\$23 million (Table 2). Estimated EBITDA is ahead of original guidance but behind revised guidance published to the ASX on 14 October 2021. But for the additional alluvial and kimberlite exploration and bulk sampling activities undertaken at Lulo during the Quarter, Lulo was tracking guidance. Mothae was on target to beat guidance, up until the unscheduled downtime to carry out a crusher foundation repair and improvements late in the Quarter. These events resulted in lower carats being recovered versus plan.



LULO, ANGOLA

ALLUVIAL MINE

(conducted by Sociedade Mineira Do Lulo, Lda (“SML” or “Lulo”) - Lucapa 40%, Endiama 32% and Rosas & Petalas 28%)

Mining operations at Lulo performed solidly during the Quarter, resulting in a 104% increase in the volume of gravel mined for the Quarter when compared to the corresponding period in 2020. The overburden removed for the Quarter amounted to 666,523m³, resulting in an overburden to gravel ratio of 4.6:1, well below budget.

The positive impact of the deployment of the expanded earth moving fleet was felt in calendar year 2021, resulting in a new annual record for volume processed of 485,602m³. The volume of gravel delivered and processed through the alluvial plant for Q4 of 117,946 m³ was 80% higher than the corresponding period in 2020 (Table 3).

The decrease in grade for the Quarter was primarily a result of mining moving from the lezirias to the terraces as the 2021 wet season set in and SML utilised the opportunity, while earthmoving fleet was in the area, to conduct additional alluvial and kimberlite exploration. As has been the practice since commercial mining commenced in 2015, alluvial exploration volumes and carats recovered form part of reported SML numbers. The lower grade was partially offset by the increased mining volumes.

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

A record 24,595 carats were recovered for the full year. This was despite the impact of reduced alluvial volumes processed due to utilising the alluvial plant to process two kimberlite bulk samples and the additional exploration conducted, as noted above. A total of 783 diamonds greater than 4.8 carats were recovered during 2021.

TABLE 3: LULO PRODUCTION RESULTS AND RECOVERIES

	100% Project						40% Attributable
	Q4			Q4 YTD			2021
	2020	2021	Var	2020	2021	Var	
Volume processed (m ³ bulked)	65,438	117,946	80%	271,710	485,602	79%	194,241
Carats recovered	6,447	3,946	-39%	23,669	24,595	4%	9,838
Grade recovered (cphm ³)	9.9	3.3	-66%	8.7	5.1	-42%	5.1
+4.8 carat diamonds	231	115	-50%	767	783	2%	313
+10.8 carat diamonds (Specials)	70	34	-51%	237	261	10%	104

Construction of the new infield screening plant at Mining Block ("MB") 46 is well underway and scheduled to be completed towards the end of Q1 2022.

The infield screening plant is designed to reduce the overall cost of production of gravel sourced from the more southern mining blocks, by screening and significantly decreasing the volume of gravel being transported from those blocks to the Lulo alluvial plant ~20km away. The infield screening plant should also free up head feed capacity at the Lulo alluvial plant.

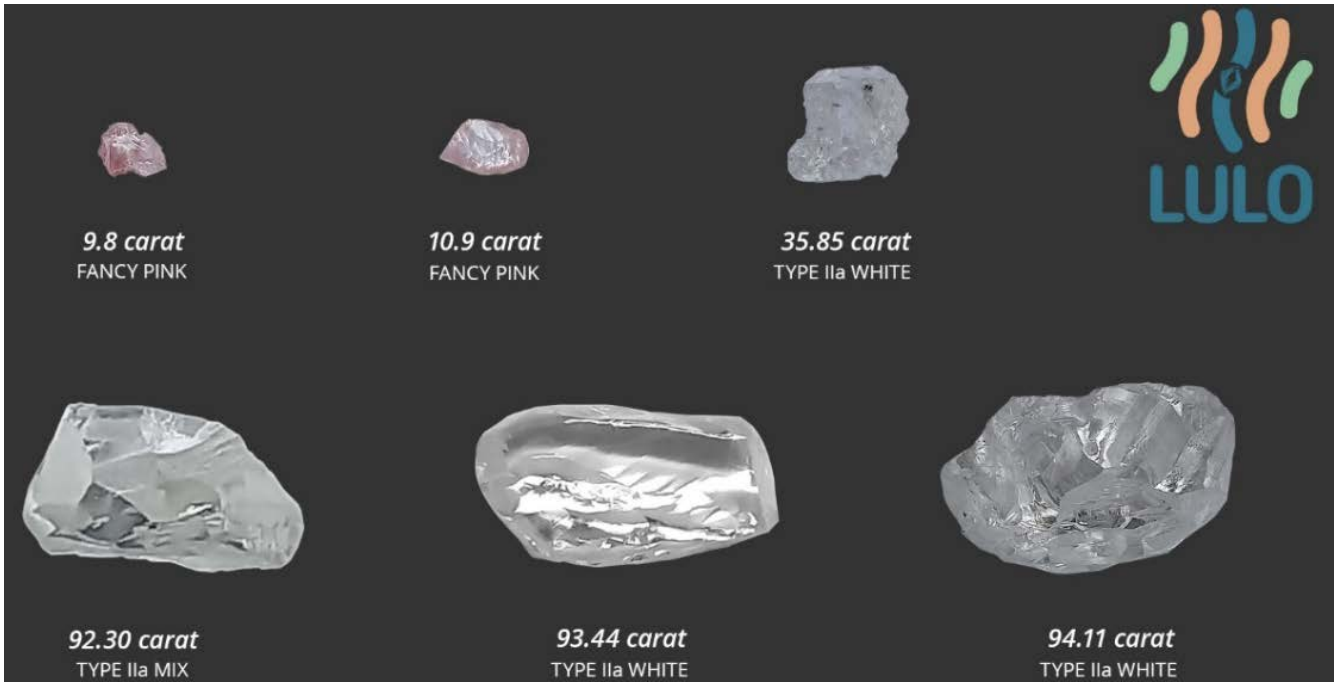
As a result of the strong operational performance and the rebounding demand for diamonds resulting in rough prices increasing by over 30% across the board in 2021, Lulo set a new annual revenue record in 2021. SML achieved revenues (on a 100% basis) of US\$78.1 million (A\$104.8 million) for 27,817 carats sold at an average diamond price of US\$2,808 (A\$3,678)/ carat (Table 4).

TABLE 4: LULO SALES RESULTS AND INVENTORIES

	100% Project						40% Attributable
	Q4			Q4 YTD			2021
	2020	2021	Var	2020	2021	Var	
Rough carats sold	4,269	8,158	91%	20,397	27,817	36%	11,127
Rough diamond revenue (A\$m)	9.0	36.1	302%	40.1	104.8	161%	41.9
Rough diamond revenue (US\$m)	6.6	26.1	294%	28.0	78.1	179%	31.2
Rough price/ carat (US\$)	1,550	3,196	106%	1,371	2,808	105%	2,808
Partnership margins (US\$m)	0.5	0.8	60%	0.5	2.5	410%	1.0
Diamond inventories (carats)	4,324	1,100	-75%				440
Cash and receivables (US\$m)	7.3	29.6	306%				11.8

A total of 8,158 carats of rough diamonds were sold in Q4, either via direct sale to Safdico as SML's preferred buyer (and in the cutting & polishing partnership), tender, local manufacturers and/ or to Sodiam E.P, the Angolan State Diamond Marketing Company.

As announced to the ASX on 1 December 2021, six exceptional Lulo diamonds (pictured below) were sold via an international tender in Angola conducted by Sodiam, achieving US\$12.8 million (A\$17.9 million) on a 100% basis, averaging US\$38,006 (A\$53,286)/ carat. The four large, top-quality white diamonds and two fancy pink diamonds recovered from the Lulo alluvial mine in Angola weighed a total of 336 carats.



Picture: Six Lulo diamonds sold at the Angolan tender in November 2021

Under the preferred buyer agreement with Safdico, SML is paid the full market value of the rough diamonds upfront by Safdico, and subsequently shares in a significant portion of all margins generated by the partnership thereafter.

During Q4, SML sold ~2,000 carats into the cutting & polishing partnership, bringing the total for the full year sold into the partnership to ~9,500 carats. SML accrued US\$0.8 million during the Quarter, representing its share of the profits for those diamonds sold out of the partnership (Table 4). This brings the total SML share of the partnership profit for 2021 to US\$2.5 million, effectively increasing the value of the respective rough diamonds by ~17%.



Photos: 5 carat D-colour Flawless cushion (right) – one of four diamonds polished in partnership from a 19 carat Type IIa rough diamond (left) recovered from Lulo during the year

ALLUVIAL EXPLORATION

SML's alluvial exploration efforts saw 2,018 auger holes and 591 exploration pits completed in Q4 to define the gravel resources in a number of resource blocks.

Excavation of a large bulk sample from resource area MB57, which is immediately upstream (south) of the Canguige River confluence with the Caculo River, commenced and is continuing. The information from this drilling, pitting and bulk sampling program is relevant to both the alluvial mining program (with possible alluvial resource extensions) and the kimberlite exploration program, as it will assist in determining the potential existence of additional primary sources of diamonds upstream (south) of the Canguige catchment.

In addition, preparation for a bulk sample of the MB18 leziria area just downstream of the MB46 terraces, where thick continuous gravel horizons have been identified, also commenced during Q4.

The processing of these two samples is expected to be completed in Q1 2022.

KIMBERLITE EXPLORATION

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

SML's exploration program to find the primary source kimberlite continued to deliver promising news during Q4.

Consistent large and Type IIa diamond recoveries by SML are the major driver of the exceptional revenues and average prices achieved for the diamonds recovered by the commercial alluvial (secondary source) mining operations on the Lulo concession. Type IIa diamonds are rare, form less than two percent of global natural rough diamond production and are sought after because of their normally superior colour, quality and size when compared to Type I diamonds.

Lucapa announced (refer ASX announcement on 8 November 2021) that the initial pre-crush L028 Lulo kimberlite (primary source) bulk sample delivered positive results with a significant number of Type IIa diamonds being recovered. Eight (>60%) of the 13 stones recovered were assessed by a Yehuda Colorimeter as being Type IIa diamonds.

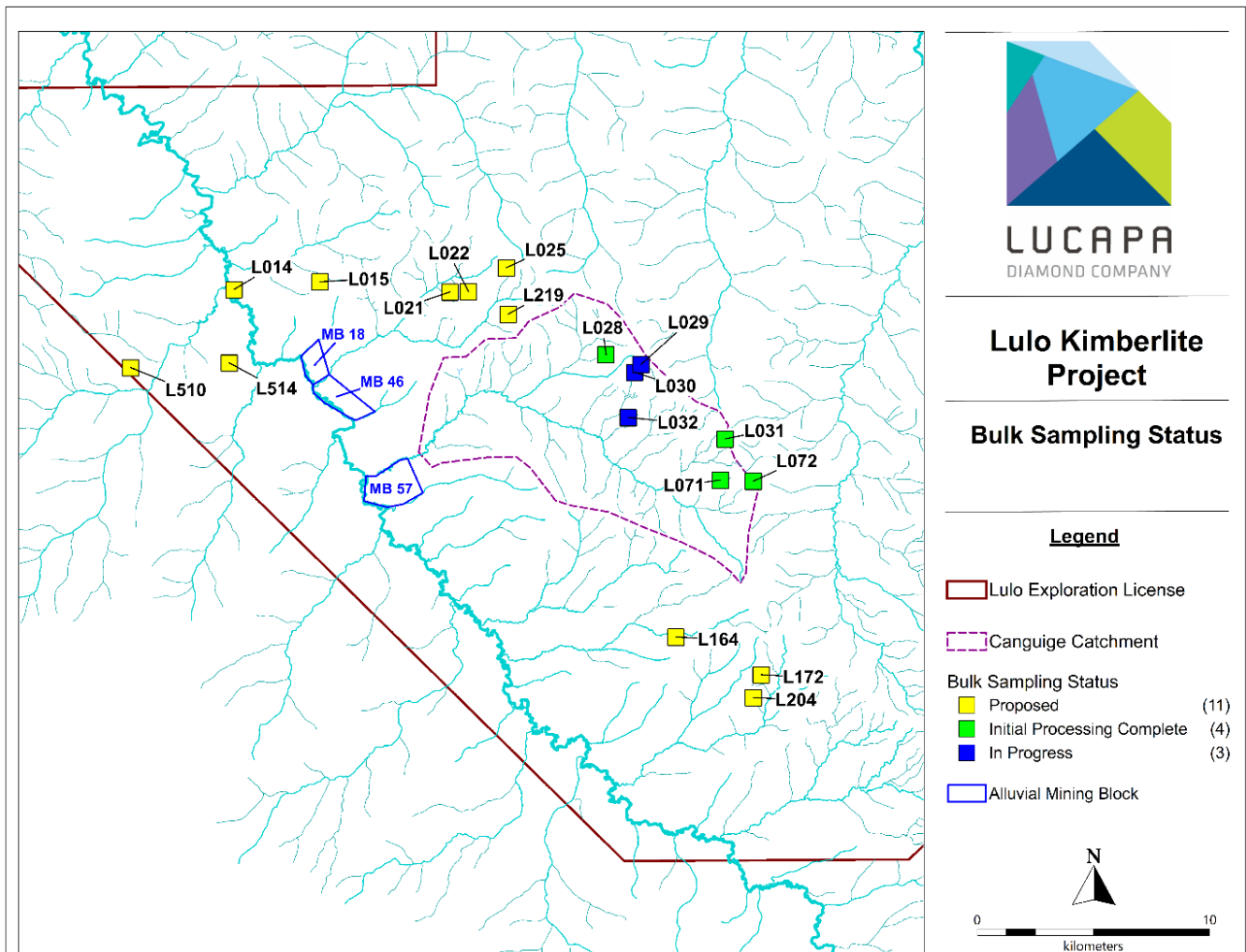
The L028 kimberlite sample of 2,192 bulked m³ was processed through the Lulo alluvial plant recovering 13 diamonds with a total weight of 4.15 carats (selected diamonds in below photo). The L028 sample represents the highest number of diamonds recovered from any of the kimberlites sampled in the Canguige catchment thus far. This bulk sample comprised ~one percent of the surface area of a ~eight-hectare kimberlite pipe.



Photos (left to right): 0.93, 0.59, 0.49, 0.41 and 0.30 carat diamonds recovered from L028 kimberlite bulk sample

The largest stone recovered was a 0.93 carat white diamond and the largest Type IIa diamond recovered weighed 0.59 carats.

The L028 bulk sample result is an important outcome for the kimberlite exploration program, particularly in and around the Canguige catchment, because the adjacent and downstream MB46 has attracted some of the highest average prices per carat for alluvial diamonds on the Lulo concession. Kimberlite L028 is the first kimberlite to be selected for further investigation.



Map 1: Priority kimberlites selected for bulk sampling in the Canguige catchment, the remaining priority targets to be bulk sampled (solid yellow & blue blocks) and the bulk samples currently being excavated (blue blocks)

To ensure the kimberlite bulk samples can be excavated and processed without reliance on the capacity of the alluvial fleet and Lulo alluvial plant, a new standalone kimberlite bulk sample plant and additional dedicated kimberlite earthmoving fleet have been ordered.

The crushing component of this new standalone kimberlite bulk sample plant, which was pre-ordered, has already arrived at Lulo and is currently being constructed. Other modules are also enroute to Lulo with the full standalone kimberlite bulk sampling plant expected to be operational towards the end of Q1 2022. Some of the additional earthmoving fleet dedicated to the kimberlite exploration program has already arrived in Luanda and will be delivered to Lulo shortly. The transport trucks are scheduled to arrive in the first quarter of 2022.

Oversize material from all previous kimberlite bulk samples has been separately stockpiled and will be processed through the kimberlite bulk sample plant (including crushing) once the standalone plant is commissioned.

Other work focused on maintenance of and upgrades to access roads for the bulk samples currently being excavated (Map 1), and no drilling was completed during Q4.

Processing of the L031 kimberlite bulk sample during the Quarter recovered a single 0.21 carat diamond. The sample contained a significant amount of oversized kimberlite material, requiring crushing. This material will be processed through the standalone kimberlite bulk sample plant after which the sample result will be published.



MOTHAE, LESOTHO
KIMBERLITE MINE

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

Mining operations at Mothae ran well during the Quarter, but plant processing operations were impacted by an unscheduled repair and improvements to the foundations of the primary jaw crusher. Processing of kimberlite material continued through the alternative primary feed system, albeit at a reduced rate for seven weeks.

The Company initially scheduled the repair and improvement to be carried out in 2022, however, this work was brought forward. They were completed in December and the primary jaw crusher has been operating at full capacity since. Despite the time lost in Q4 to carry out the repair and improvements, tonnes processed were just 2% behind the comparative prior period (Table 5). Management at Mothae are putting a plan in place to recoup the reduced tonnes.

Mothae recovered 8,033 carats for the Quarter, 22% ahead of the corresponding prior period. This was a direct impact of the 24% increase in grade recovered of 2.9cpht. Of the diamonds recovered during the year, 628 diamonds were greater than 4.8 carat in weight.

TABLE 5: MOTHAE PRODUCTION RESULTS AND RECOVERIES							
	100% Project			70% Attributable			
	Q4			Q4 YTD			
	2020	2021	Var	2020	2021	Var	2021
Tonnes processed	280,148	274,969	-2%	569,160	1,123,102	97%	786,171
Carats recovered	6,603	8,033	22%	13,456	32,470	141%	22,731
Grade recovered (cpht)	2.4	2.9	24%	2.4	2.9	22%	2.9
+4.8 carat diamonds recovered	124	161	30%	261	628	141%	440
+10.8 carat diamonds (Specials)	42	40	-5%	80	168	110%	118

Test work utilising a continuous miner commenced during Q4 (below photo). The continuous miner trial is being carried out to assess the operational and financial benefits from utilising the mechanical mining technology compared to conventional drilling and blasting of kimberlite. Preliminary results indicate that targeted mining rates can be achieved and therefore large tonnage tests will be conducted in Q1 2022. This technology is also being considered for future mining at Merlin.



Photo: Continuous miner trial at Mothae during the Quarter

TABLE 6: MOTHAE SALES RESULTS AND INVENTORIES

	100% Project						70% Attributable
	Q4			Q4 YTD			
	2020	2021	Var	2020	2021	Var	2021
Rough carats sold	-	8,207	-	10,268	36,154	252%	25,307
Rough diamond revenue (A\$m)	-	5.1	-	6.4	32.7	411%	22.9
Rough diamond revenue (US\$m)	-	3.7	-	4.1	24.9	506%	17.4
Rough price/ carat (US\$)	-	456	-	402	688	71%	688
Partnership margins (US\$m)	0.4	0.6	40%	0.4	1.5	259%	1.1
Diamond inventories (carats)	7,345	3,325	-55%				2,328
Cash and receivables (US\$m)	1.0	1.6	62%				1.1

Diamond prices across the board have risen due to curtailed rough production during the pandemic, a rebound in US demand and a growing emerging market demand. Due to the market turnaround and the timing of large stone recoveries and sales in the year, Mothae achieved diamond prices on average of US\$688 (A\$905)/ carat, 71% higher than the pandemic impacted prior year of US\$402 (A\$622)/ carat (Table 6).

A total of 8,207 carats of rough diamonds were sold in Q4 for US\$3.7 million or US\$456/ carat. Under the Safdico diamond sales agreement, Mothae is paid the full market value of the rough diamonds upfront by Safdico, and Mothae subsequently shares in a significant portion of the margins generated thereafter.

The diamonds sold for the full year under this agreement amounted to 36,154 carats. Mothae accrued US\$0.6 million during the Quarter, representing its share of the diamonds sold out of the partnership (Table 6). This brings the total Mothae share of partnership profits for 2021 to US\$1.5 million, effectively increasing the value of the respective rough diamonds by ~7%.



**38 CARAT YELLOW
ROUGH DIAMOND**

**21 CARAT POLISHED
FANCY INTENSE YELLOW**

Photos: 21 carat fancy yellow cushion (right) polished from a 38 carat Mothae rough diamond (left) during the year

NEW MOTHAE CAMP & OFFICES

During the Quarter, the old camp area was vacated, and will undergo final clearing and rehabilitation during Q1 2022. The new camp & main office facilities are all now occupied (below photo), with the new kitchen and dining hall commissioned along with the new health clinic. The recreational facilities for staff will be built at the new site during 2022.



Photo: The new camp & offices constructed during the year at the Mothae mine in Lesotho



MERLIN, AUSTRALIA

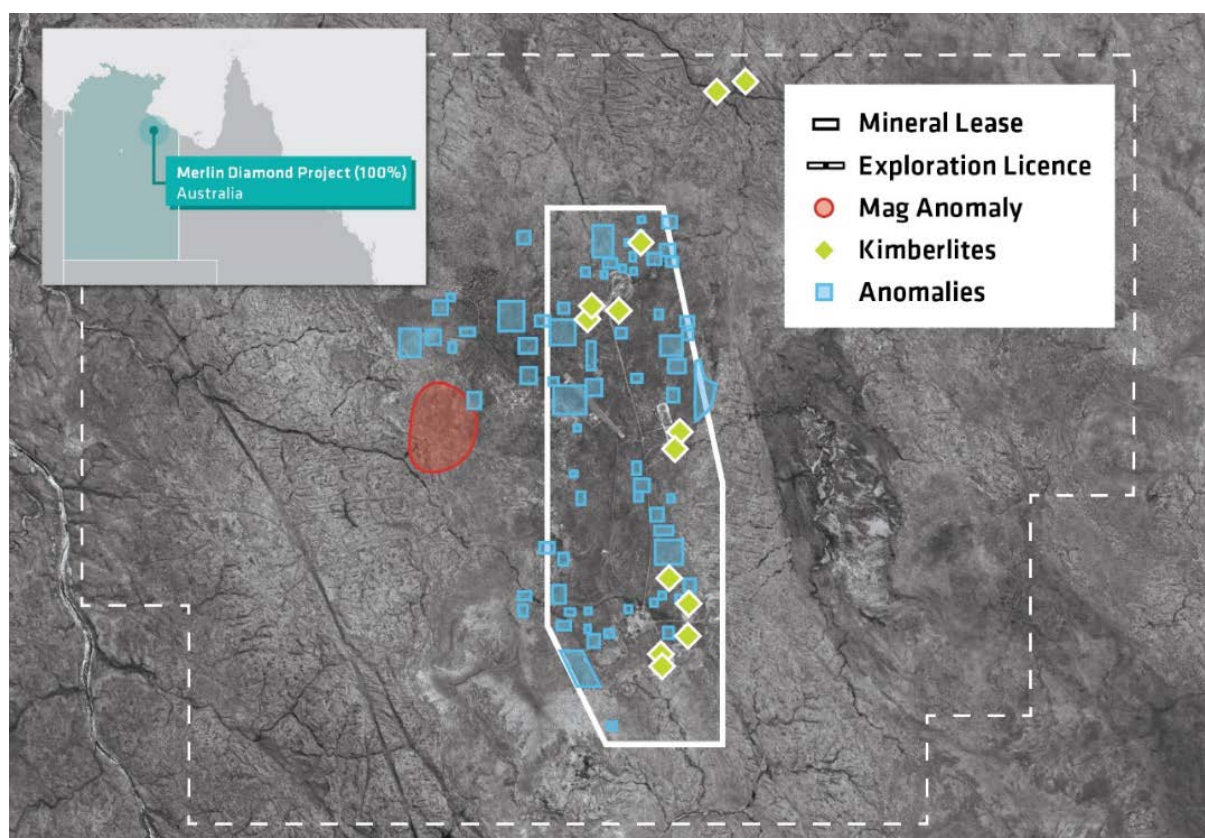
(conducted by Australian Natural Diamonds Pty Ltd (“AusND”) – 100% Lucapa)

The acquisition of the Merlin Diamond Project was completed by Lucapa’s subsidiary Australian Natural Diamonds Pty Ltd (“AusND”) during the Quarter. A payment of A\$7.4 million was made to the liquidators of Merlin Diamonds Limited to complete the acquisition transaction. This was in addition to the A\$1.1 million financial security deposit for the environmental bond which was made in the previous quarter.

Under the Asset Sale Agreement (refer ASX announcement 24 May 2021), AusND has acquired the 24km² mineral lease and 283km² exploration licence encompassing the mineral lease (below picture). The purchase also includes all existing equipment, infrastructure and assets on the mineral lease and exploration licence.

The mineral lease contains 11 previously discovered kimberlite pipes in three kimberlite clusters with a 4.4 million carat JORC 2012 compliant mineral resource. There are two known diamondiferous kimberlites on the exploration licence. Merlin also contains significant exploration upside with over 70 unresolved anomalies where all kimberlite discoveries on the mineral lease and exploration licence are known to be diamondiferous

Coinciding with the completion of the acquisition, AusND and Legend International Holdings Inc (In Liquidation) (“Legend”) mutually agreed to terminate the historic agreements in relation to the back-in and milestone payment rights Legend held over the Merlin mineral lease and exploration licence.



Picture: Merlin mineral lease and exploration licence with 13 known kimberlites and ~70 anomalies

The Company also commenced and published a Scoping Study during the Quarter (refer ASX announcement on 17 December 2021) and completed a geotechnical drilling program to inform the 2022 feasibility study.

The Merlin Scoping Study demonstrates strong economics for an estimated 14-year mine life, using open-pit and vertical-pit mining methods (Table 7). The Study also identified clear opportunities for upside and estimated a two-year development timeline post final investment decision.

TABLE 7: KEY OUTCOMES OF MERLIN DIAMOND PROJECT SCOPING STUDY

	Life-of-mine	Average/ annum
Production target	~2.1 million carats	~153,000 carats
Life-of-mine	~14 years	-
Tonnes treated	~14 million	~1 million
Project revenue	~A\$1.6 billion	~A\$115 million
EBITDA	~A\$702 million	~A\$50 million
Undiscounted free cashflow (pre-tax)	~A\$558 million	~A\$40 million
Pre-production process & infrastructure capital	~A\$69 million	-
NPV_{7%} (pre-tax)	~A\$343 million	-
Internal rate of return (pre-tax)	~59%	-

- ❖ Expected payback (pre-tax) by the end of the 2nd year of production
- ❖ Initial capital estimate of ~A\$96 million, including waste pre-strip of ~A\$18m
- ❖ Anticipated two-year development timeline from final investment decision
- ❖ Significant value and benefits for nearby communities and the Northern Territory

Please see the ASX announcement published on 17 December 2021 for full details of the Scoping Study, Disclaimer and Cautionary Statements. The Company will be hosting an investor webinar on the outcomes of the Scoping Study and next steps in February 2022. Webinar details will be published to the ASX in the week prior.

OTHER EXPLORATION PROJECTS
BROOKING

As per the ASX announcement on 28 August 2018, Lucapa and its partners identified diamondiferous lamproite at Brooking, in Western Australia’s West Kimberley region, where over 1,200 micro- and macro-diamonds were recovered from a drill program on the Little Spring Creek lamproite discovery. Exploration activities were paused at Brooking in 2019 due to the soft diamond market conditions prevailing at the time.

The Brooking exploration program was re-started in the Quarter to follow up on the significant micro- and macro-diamond counts recovered by the Company (pictured below) as there has been a significant turnaround in the diamond market in 2021 as a result of a forecast shortage in rough diamond supply going forward.

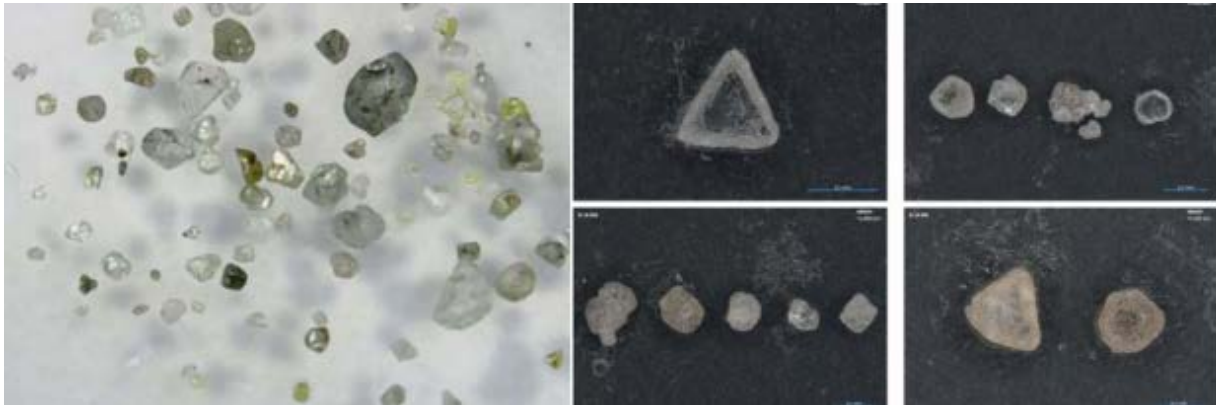
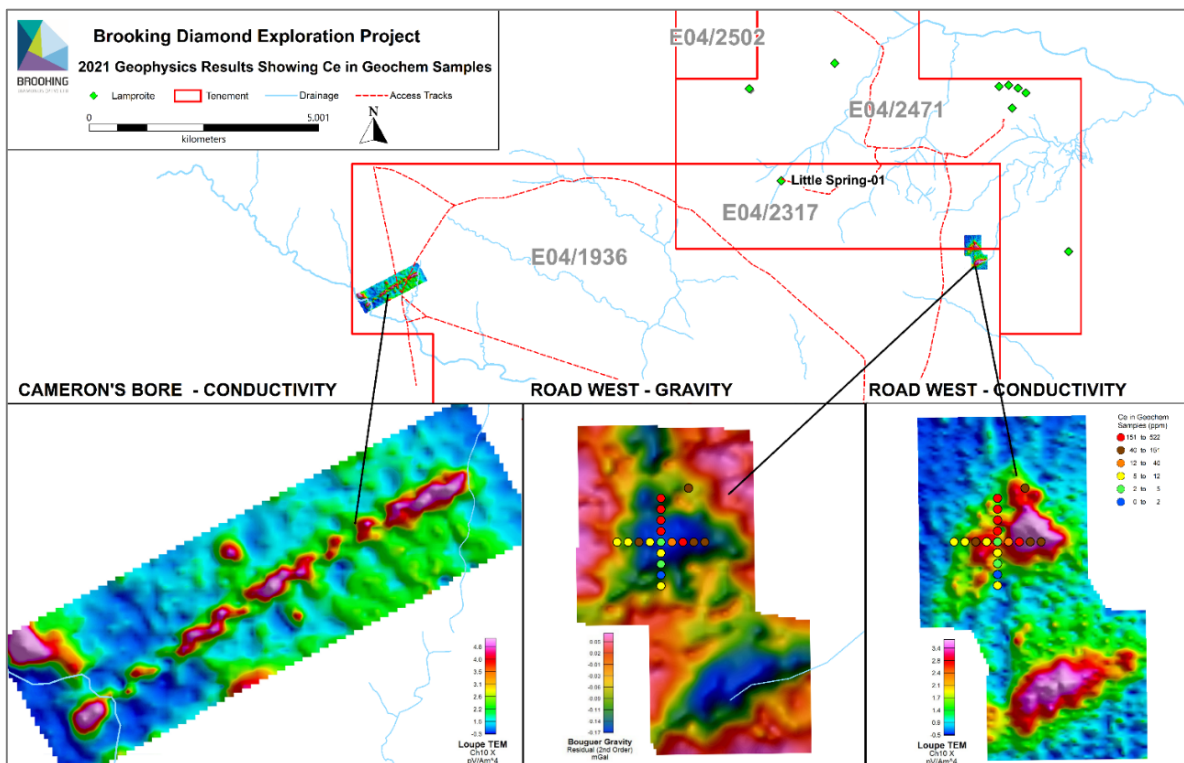


Photo: Micro- and macro-diamonds recovered from Lucapa’s drilling programs in 2018 at Brooking’s Little Spring Creek lamproite

As announced to the ASX on 19 November 2021, the Brooking exploration program recommenced with gravity and electromagnetic surveys identifying three new high-interest primary source lamproite targets (below picture).



Picture: A linear high-interest target at Cameron’s Bore (left) and the two high-interest targets at Road West (right)

Drone geophysics will be carried out in Q2 2022, or earlier if the road is opened, to be followed by pitting and/or drilling once heritage surveys and program of works approvals are received.

ORAPA AREA F

Lucapa will commence drilling its identified targets on the tenement in Botswana as soon as the extension of the exploration licence is granted.

HEALTH, SAFETY AND COMMUNITY

Angola and Lesotho strengthened COVID-19 protocols and awareness during the Quarter to counter the new Omicron variant.

There were cases of Omicron detected at Mothae. However, all staff members who tested positive for the virus only experienced mild symptoms, isolated and have since returned to work. Mothae has achieved a vaccination rate of 99 percent, with only four employees out of more than 400 remaining unvaccinated.

Lulo recorded a low number of Covid cases among employees during December 2021. Vaccination rates at Lulo are sitting at 98 percent with 11 employees not yet vaccinated. The Covid- 19 vaccination campaign is ongoing and unvaccinated employees are subject to additional protocols at both mines.

Lulo recorded zero Lost Time Injuries (“LTI’s”) for the Quarter and ended the year on a Lost Time Injury Frequency Rate (“LTIFR”) of 0.16.

Mothae, recorded one injury during the Quarter, unfortunately ending an almost 3-year run without an LTI. During November 2021, a contractor working on dismantling the primary crusher injured his hand, which required medical attention and a recovery period. The injured contractor has returned to work. The Mothae LTIFR for the year ended at 0.21.

At Mothae, to continue to provide employment to the wider community, casuals from the nearby Letšeng village were engaged to assist with the camp relocation project and other additional ad-hoc initiatives. The scheme to support farmers by purchasing fresh produce for use at the mine site kitchen is also ongoing and Mothae’s ‘take a child to school’ initiative is supporting three students in Grade 11 and four in Grade 9.

Mothae is awaiting tender submissions from contractors to rebuild sections of the local Sebera Primary School, which the mine will contribute to. In-kind donations were made to support World AIDS Day, to supply fencing materials to protect a local school’s fresh water source from stock animals and to supply face masks for students at two schools.



Photos: Sand being delivered by SML to the nearby Xamiguelenge Village in Angola (left) and collection of a sample of fresh water from a newly drilled borehole at a local school in Angola (right)

During the Quarter, SML also continued with its community programs (above pictures). SML donated and delivered sand (by-product from the Lulo Mine site) to the nearby Xamiguelenge Village. The supply of sand assisted villagers, a vast number of whom work at the mine, to make concrete and bricks in order to build or add to their homes. SML also continued its program of drilling boreholes for fresh water at a local school and also completed the installation of solar power supply at the Xamiguelenge school during the Quarter.

CORPORATE

Lucapa was reclassified by the ASX from a mining exploration entity to a mining producing entity, resulting in changes to the quarterly reporting requirements. The Company is no longer required to lodge a quarterly Appendix 5B cashflow statement. Instead, the Company is required to continue to publish quarterly activities reports and preliminary financial reports (appendices 4D and 4E).

At the end of Q4, the group's reported cash and receivables balance was A\$10.1 million (which excludes SML as equity accounted associate). Lucapa's attributable cash and receivables balance was A\$25.8 million (Table 1).

Mothae held cash of A\$2.1 million (US\$1.6 million) and a diamond inventory of 3,325 carats (Table 6) at the end of the Quarter.

Lucapa's equity accounted associate, SML, held a cash and receivables balance of A\$40.7 million (US\$29.6 million) as well as a diamond inventory of 1,100 carats at Quarter end (Table 4).

At the SML General Assembly during the Quarter, Lulo shareholders approved an SML interim dividend of A\$14 million (US\$10 million) and a SML capital loan repayment of A\$14 million (US\$10 million), as a result of SML's strong performance in 2021. Lucapa's share of the SML dividend and capital loan repayment amounts to a record return for Lucapa from SML of A\$19 million.

Of a total of A\$90.9 million in development loans (loan assets) owing to Lucapa (by both SML and Mothae) as at Quarter end, A\$38.2 million relates to the mine's joint venture partners shareholding (Table 8).

TABLE 8: DEVELOPMENT LOANS OWING TO LUCAPA

		As at 31 December 2021		
		SML	Mothae	Total
Development loans owing to Lucapa (loan assets)		36.3	54.6	90.9
JV partner share of loan asset (SML - 60%, Mothae - 30%)	<i>A\$m</i>	21.8	16.4	38.2
Attributable to Lucapa shareholding (SML - 40%, Mothae - 70%)		14.5	38.2	52.7

Lucapa's external debt as at 31 December 2021 was A\$27.3 million (A\$24.8 million on an attributable basis (Table 1)).

In accordance with ASX Listing Rule 5.3.5, the Company advises that payments made to related parties and their associates during the period included US\$249k for executive and Non-executive Directors' remuneration and fees (including superannuation) and US\$31k in respect of office rent to an entity associated with Non-executive Chair, Miles Kennedy. Net inter-group funding payments made during the Quarter to subsidiaries, including AusND in respect of the acquisition and developmental funding of Merlin, amounted to A\$10.7 million (US\$7.7 million).

Authorised by the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

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ABOUT LUCAPA

Lucapa Diamond Company Limited is an ASX listed diamond miner and explorer with assets in Africa and Australia. It has interests in two producing diamond mines in Angola (Lulo) and Lesotho (Mothae). The large, high-value diamonds produced from these two niche African diamond mines attract some of the highest prices per carat for rough diamonds globally.

The Lulo mine has been in commercial production since 2015, while the Mothae mine commenced commercial production in 2019.

Lucapa has recently acquired the Merlin Diamond Project in the Northern Territory of Australia. It consists of a 24km² mining lease and a 283km² exploration lease encompassing the mining lease. The mining lease contains 11 previously discovered kimberlite pipes in three kimberlite clusters with a 4.4 million carat JORC 2012 compliant resource. There are two known diamondiferous kimberlites on the exploration lease.

Lucapa and its project partners are also exploring for potential primary source kimberlites or lamproites at the prolific Lulo concession in Angola, the Brooking project in Australia and the Orapa Area F project in Botswana.

The Board, management and key stakeholders in Lucapa have deep global diamond industry experience and networks all through the value chain from exploration to retail.

Competent Person's Statement

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

No New Information

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

Forward-Looking Statements

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

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

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

TABLE 9: SCHEDULE OF TENEMENTS AS AT 31 DECEMBER 2021

Project	Country	Type	Size (km²)	Period	Interest (%)	End date
Brooking	Australia	Exploration Licence	72	5 years	80	Dec-22
	Australia	Exploration Licence	13	5 years	80	Mar-24
	Australia	Exploration Licence	29	5 years	80	Jun-22
	Australia	Exploration Licence	3	5 years	80	Jun-23
Lulo	Angola	Kimberlite (primary source) exploration	3,000	5 years	39	May-24
	Angola	Alluvial (secondary source) mining and exploration	1,500	10 years	40	Jul-25
Merlin	Australia	Mineral lease	24	25 years	100	Dec-22^
	Australia	Exploration Licence	283	5 years	100	^
Mothae	Lesotho	Mining Licence	47*	10 years	70	Jan-27
Orapa	Botswana	Reconnaissance	8	2 years	100	Sep-20^

* Area includes the protection and production area

^Application for licence extension/ renewal has been or in process of being submitted