

INTERIM FINANCIAL REPORT

for the six months ended 30 June 2022



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LUCAPA
DIAMOND COMPANY

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The Directors present their report together with the interim financial report of Lucapa Diamond Company Limited (ASX: **LOM**) for the six months ended 30 June 2022 and the auditor's review report thereon. The Company and its subsidiaries are primarily involved in exploration, mine development and diamond mining projects in Africa and Australia.

1. Directors

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

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

2. Review of operations

OVERVIEW

Lucapa's vision is to become a leading global explorer and producer of large and high-quality diamonds from alluvial and kimberlite sources through the application of the Board and management team's decades of experience across the diamond industry.

The Company is well advanced and is now an integrated multi-asset group with unique assets spanning exploration, evaluation, mine development, production, sales & marketing and cutting & polishing across Africa and Australia.

Lucapa's diamond production currently originates from the Lulo alluvial mine in Angola ("SML") and the Mothae mine in Lesotho ("Mothae").

These two mines produce exceptional, large and high-value diamonds, with more than 75% of rough revenues generated from the recovery and sale of diamonds greater than 4.8 carats in weight.

In line with Lucapa's growth objective, diamond production will grow substantially with the delivery of the scoped mine development at the Merlin Diamond Project in the Northern Territory, Australia. With successful development, Merlin will be the largest commercial diamond mine in Australia following the closure of Argyle in 2020.

The Company took advantage of the depressed pandemic environment and acquired the Merlin Diamond Project in 2021 for A\$8.5 million into a newly formed subsidiary, Australia Natural Diamonds Pty Ltd (refer ASX announcement on 13 December 2021).

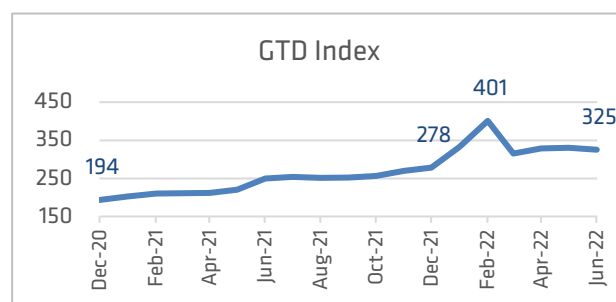
Lucapa has published two scoping studies demonstrating strong economics for a long-life mine using a hybrid open and vertical pit mining methodology (refer ASX announcements on 17 December 2021 and 3 March 2022).

Lucapa is now actively progressing a feasibility study for the development at Merlin, the results of which are planned for publication in H2 2022.

The Company is also advancing prospective primary source exploration and evaluation activities on several projects in Africa and Australia. The most advanced of these programs is the prospective Lulo kimberlite exploration venture that is searching for the primary source beneath the active mining areas where large and high-value alluvial diamonds are regularly recovered by SML's mining operations.

Lucapa is successfully advancing through the diamond value chain where Lulo and Mothae now generate returns from beyond the mine-gate through a unique partnership with a leading high-end diamantaire.

Pleasingly, diamond prices ended up at the end of the half year. Despite the volatile macroeconomic backdrop and Russia's invasion of Ukraine in February 2022, overall diamond price levels remained relatively stable in Q2 2022. According to the GTD Consulting Overall Rough Diamond Price Index ("GTD Index"), the GTD Index ended June 2022 three percent and 17% above the March 2022 and December 2021 levels respectively.



GTD Consulting Overall Rough Diamond Price Index

However, despite the relatively stable pricing, the global inflationary environment and supply chain constraints have resulted in substantially higher mining costs.

At Mothae, diesel and other inputs were significantly impacted and as such the carrying value of Mothae has been reassessed at period end.

Conversely, SML benefits from a subsidised fuel environment as Angola is one of Africa's largest oil producing countries, and as such, mining costs were far less affected.

Highlights for the June half include:

- Total revenues of A\$48.8 million @ A\$1,684/ carat (on a 100% project basis);
- Attributable half year:
 - Revenue of A\$24.5 million @ A\$1,431/ carat;
 - EBITDA of A\$1.0 million (pre impairment charge);
 - Inflationary environment, supply chain and mass balancing constraints, resulted in a non-cash impairment charge of A\$15.4 million (US\$10.6 million) in respect of Mothae.
- Group repaid A\$13.6 million of debt, reducing total debt to A\$14.3 million;
- Successful completion of a A\$12.5 million placement from institutional and sophisticated investors with cornerstone investment from Tribeca Investment Partners;
- Solid performances from both SML and Mothae with a number of coloured and large stone recoveries;
 - Half year physical's records at both mines;
 - Commissioned new In-Field Screening Plant to increase processing capacity at Lulo; and
 - Continued with ESG initiatives;
- Lucapa received a A\$5 million net dividend payment from SML;
- ~A\$14 million loan repayment approved by SML shareholders to be paid to Lucapa following National Bank of Angola repatriation approval – approval received in August 2022;
- Post period end, Lucapa received the first loan repayment of A\$2.9 million following National Bank of Angola approval to repatriate the full A\$34 million investment loan – remaining balance of the SML shareholder approved A\$14 million to be repatriated in upcoming tranches;
- Increased Lulo JORC inferred resource carats to 151,040 at a modelled value of US\$1,930/ carat;
- Progressed the kimberlite exploration program at Lulo:
 - Discovered 14 new kimberlite targets and added kimberlites to the priority bulk sampling program;
 - Construction of the stand-alone kimberlite bulk sample plant well advanced with sample treatment to commence this quarter – two kimberlites to be processed every six weeks.
- Published an updated Merlin Scoping Study that reinforces the strong economics for a long-life mine;
- Analysis of De Beers hyperspectral data acquired over Merlin identified seven new kimberlite targets for follow up;
- The diamond market reached a ten-year peak in February 2022 before retreating and stabilising towards the end of the period.

LULO ALLUVIAL MINE, ANGOLA

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

Mining and operations

SML continued to set new records in H1 2022 with quarterly and half year processing records, aided by the increased treatment capacity realised from the In-Field Screening Plant that was fully commissioned in Q2 2022.

During Q1 and the beginning of Q2 2022 gravel was sourced from the lower grade terraces, as is the norm during the wet season in Angola. The grades have increased throughout Q2 2022 as the higher grade lezirias became accessible following the end of the wet season.

SML reported an EBITDA profit of US\$6.2 million (H1 2021: US\$21m that included a record tender of seven high-value diamonds for US\$21.4m) for the half year. Difference to prior year result largely due to the mine plans accessing different resource blocks where several +100 carat diamonds were recovered in the prior year.

Mining is currently and is planned to continue to source gravel from these higher grade lezirias into Q4 2022.

Post period end, Lulo recovered a 170 carat pink coloured diamond, which became the 27th +100 carat diamond recovered. The diamond is complex in colour and is undergoing assessment by experts prior to a decision being made in respect of sale by the partners.

TABLE 1: LULO PRODUCTION RESULTS AND RECOVERIES

	100% Project					40% Attributable
	2021	2022				
	H1	Q1	Q2	H1	% Var	H1
Tonnes processed	246,142	125,335	139,166	264,501	7%	105,800
Carats recovered	11,206	5,227	7,791	13,018	16%	5,207
Grade recovered (cpht)	4.6	4.2	5.6	4.9	8%	4.9
+4.8 carat diamonds	340	176	299	475	40%	190
+10.8 carat diamonds (Specials)	144	50	113	163	13%	65

Diamond sales

SML held four sales in the first half of 2022, selling 10,449 carats for gross proceeds of US\$22.7 million at US\$2,177 per carat.

Revenues for H1 2022 were lower than for H1 2021 due to the special tender of seven high value stones that occurred at the end of H1 2021, elevating the revenues and average price for that period. With the transition to the higher grade lezirias, a large number of Specials have been recovered, which are planned for sale in Q3 2022 post the August 2022 Angolan elections.

The successful cutting & polishing partnership with Safdico continues to generate strong returns for diamonds sold into the partnership, with US\$0.7 million being generated for Lulo during the half.

MOTHAE KIMBERLITE MINE, LESOTHO

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

Mining and operations

Mothae achieved a record for tonnes processed of 637k in the first half of 2022, delivering an increase of 27% over the same period in 2021.

As a result, a record 17,486 carats were recovered in the first half, 18% up over the corresponding prior year period. The seven percent lower grade is largely a function of the source of ore.

Several large and fancy colour diamonds were recovered during the period, the most notable of which was the 204

carat Type I gem quality stone (see ASX Announcement dated 18 May 2022).

It is the eighth +100 carat and third +200 carat diamond recovered at Mothae since commercial production began in 2019. A broken +600 carat low value boart diamond was also recovered during the half.

Workstreams continued throughout the first half to resolve mass balance constraints to achieve a higher throughput level, with test work still underway at the end of the reporting period.

The global inflationary environment's impact on material inputs, supply chain and processing constraints impacted operations adversely and Mothae reported an EBITDA loss for the half year of US\$1 million (H1 2021: US\$3 million profit).

The Company and mine management are exploring various options to return cash operating margins, including the use of vertical pit mining, as is being proposed at Merlin.

As per ASX announcement on 9 June 2022, the GoL considered and voted on a Value Added Tax Amendment Bill ("Bill") which, if enacted would disallow diamond mining companies in Lesotho to claim the 15 percent Value Added Tax refunds on goods, services and capital items. In its current form, the Bill would materially impact Mothae.

At the time of writing, the Bill had not been assented to, pending further consultation with stakeholders and conclusion of the Lesotho elections in October 2022.

TABLE 2: MOTHAE PRODUCTION RESULTS AND RECOVERIES

	100% Project					70% Attributable
	2021	2022				
	H1	Q1	Q2	H1	% Var	H1
Tonnes processed	503,155	320,020	314,666	636,686	27%	445,680
Carats recovered	14,868	8,145	9,341	17,486	18%	12,240
Grade recovered (cpht)	3.0	2.5	3.0	2.7	-7%	2.7
+4.8 carat diamonds	259	191	198	389	50%	272
+10.8 carat diamonds (Specials)	68	59	62	121	78%	85

Diamond sales

Mothae continues to operate under the sale and purchase agreement entered into with Safdico and all of its diamond production in 2022 has been sold into the partnership.

A total of 18,519 carats were sold in six run-of-mine sales during the half year for gross rough diamond proceeds of US\$12.0 million.

Mothae achieved an average of US\$649/carat for the half year, 21% down on the corresponding prior year period, due to the high value recoveries of the 215 carat and 101 carat D-colour Type IIa diamonds recovered in H1 2021.

Mothae continues to reap additional margins from the cutting & polishing partnership, with a further US\$0.6 million being received during the half.

MERLIN KIMBERLITE MINE DEVELOPMENT, AUSTRALIA

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

Following the publication of the Merlin Scoping Study (refer ASX announcement 17 December 2021), which showed strong economics for a long-life mine at Merlin in the Northern Territory, diamond prices continued to increase well above pre-pandemic levels. The GTD Index rose more than 40% over the pricing level that was used in the Scoping Study modelling.

As a result of the rapid rise in diamond prices, the Scoping Study was updated for the adjusted GTD Index levels and republished during the Quarter ("Updated Scoping Study") (refer ASX announcement 3 March 2022).

The feasibility study was also progressed during the half year and these results are anticipated to be published in the second half of 2022. An animation illustrating the open pit and vertical pit mining methods planned for Merlin can be viewed here:

[Merlin Open and Vertical Pit Mining Animation.](#)

A meeting with Traditional Owners, along with representatives from the Northern Land Council took place in Borroloola in the Northern Territory during the half year. The deed of assumption for the Native Title Agreement is expected to be finalised shortly.

KIMBERLITE EXPLORATION, ANGOLA

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

The kimberlite exploration activities of the Project Lulo JV continued with the further advancement of the formulated program.

A total of 23 core holes (1,270m) were completed during the half year. All of which were focussed on discovery of new kimberlite pipes, mainly in the south of the Caculo valley.

Fourteen new kimberlite discoveries were made during the half (Figure 1). Further investigation of these bodies will be undertaken through core sampling and mineral chemistry analysis followed by bulk sampling if merited.

Clearing, preparing and building the long access roads suitable for hauling the bulk samples from the kimberlites prioritised for bulk sampling within the Canguige catchment area continued during the half year.

Four kimberlite bulk samples were excavated with two samples from L030 and L403 kimberlites processed through the Lulo alluvial plant. One diamond was recovered from the L403 sample. The two remaining samples from L018 and L029 kimberlites have been stockpiled at the Kimberlite Bulk Sample Plant ("KBSP").

The dedicated KBSP has been delivered and is currently being constructed on site. The KBSP will be commissioned shortly with processing to begin in the September quarter.

This plant will treat samples on a continuous basis allowing the exploration program to advance at a more rapid rate. Earthmoving equipment to excavate, transport and feed samples to the plant are already on site and operational.

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



Lulo kimberlite bulk sample plant

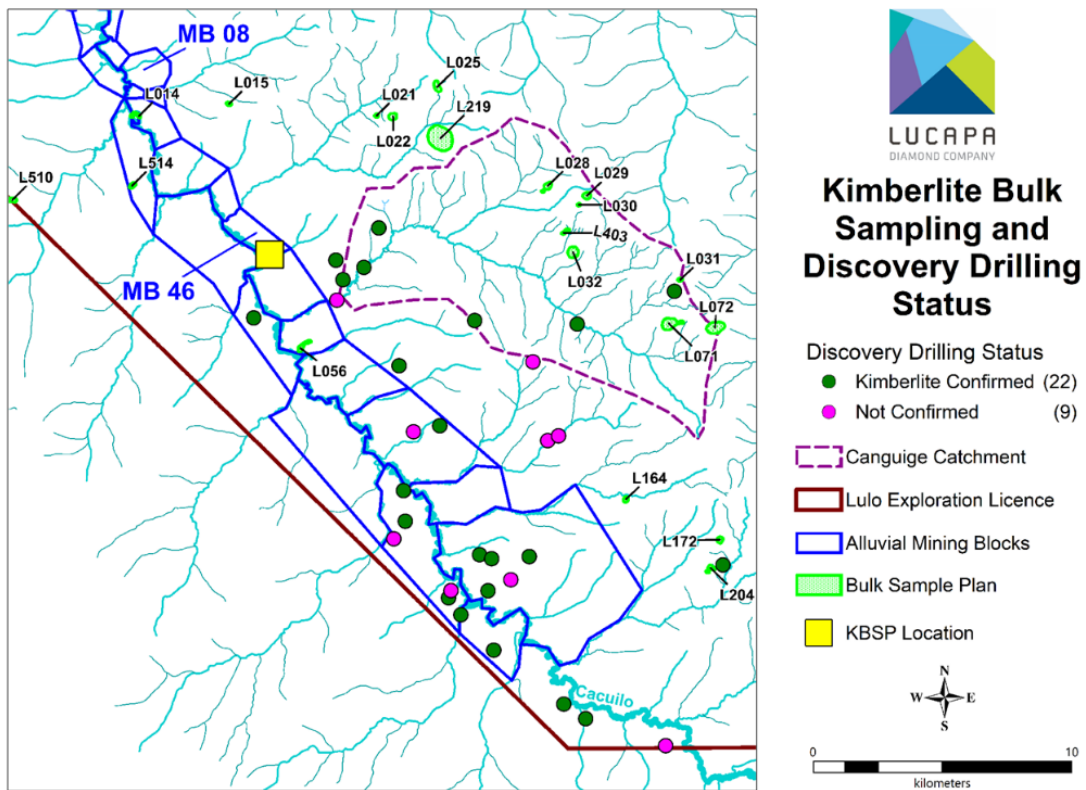


Figure 1: Exploration progress map

MERLIN KIMBERLITE EXPLORATION, AUSTRALIA

(conducted by AusND - Lucapa 100%)

Following interpretation of hyperspectral data carried out by De Beers in 1997, seven new kimberlite targets have been identified at Merlin which display elevated magnesium rich clay readings, which are commonly associated with kimberlites.

The seven selected kimberlite targets (Figure 2) lie ~3km to the east of the known Merlin kimberlites and will be followed up with visual ground inspection, heavy mineral soil samples and samples for spectral analysis.

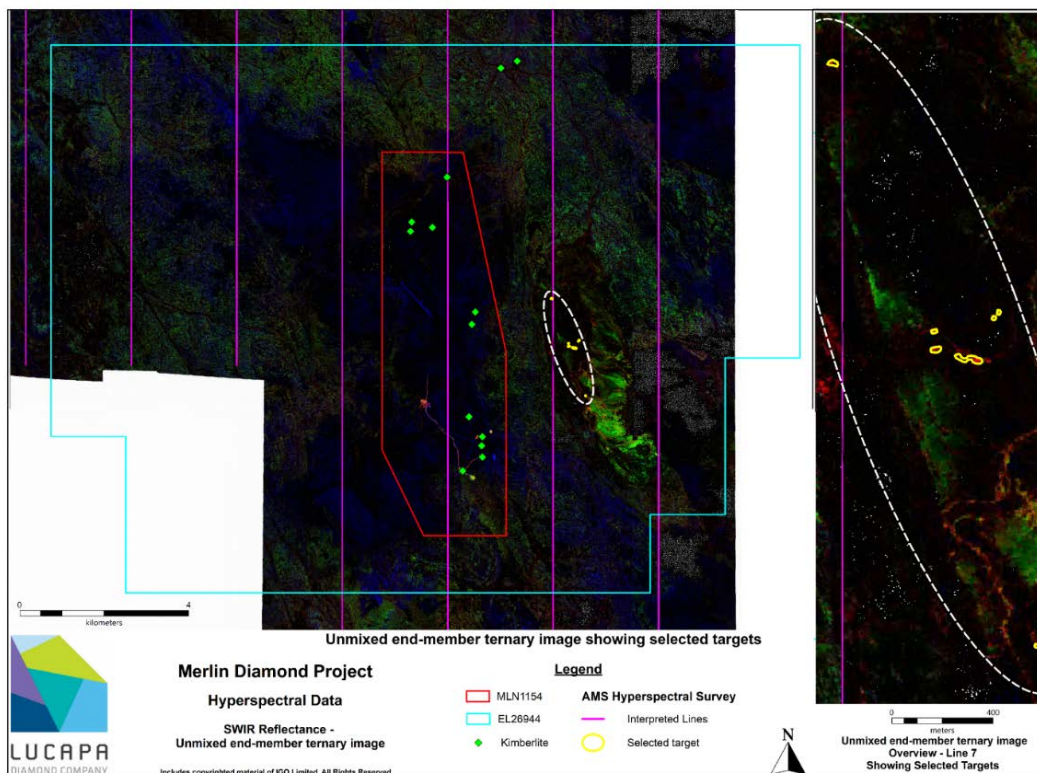


Figure 2: Historic hyperspectral data identified seven new kimberlite targets at Merlin

BROOKING EXPLORATION, WESTERN AUSTRALIA

(conducted by Brooking Pty Ltd – Lucapa 100%; Leopold Diamonds holding 20% interest in the tenements)

The drone magnetic survey of six target areas at Brooking was conducted during the half, with interpretation of data ongoing.

A heritage survey is expected to be completed before the on-set of the wet season to allow for exploratory drilling.

ORAPA EXPLORATION, BOTSWANA

(conducted by Lucapa Diamonds (Botswana) Pty Ltd; Lucapa 100%)

The exploration licence has been approved for a further two years commencing 1 July 2022, expiring 30 June 2024.

Lucapa has commenced the planning of the next phase of exploration to confirm whether the geophysical targets identified at Orapa are kimberlites.

CORPORATE

Corporate costs for the June half amounted to US\$1.1 million (H1 2021: US\$1.2 million).

Lucapa continued to reduce Company debt during the half year and the full amount of US\$7.7 million (A\$11.2 million) in principal and interest owing to New Azilian was settled.

During the June half, 113.9 million A\$0.10 listed options exercisable on or before 5 June 2022 expired without exercise.

TENEMENTS

SCHEDULE OF TENEMENTS AS AT 30 JUNE 2022						
Project	Country	Type	Size (km ²)	Period	Interest (%)	End date
Lulo	Angola	Exploration (primary) Kimberlite	3,000	5 years	39	05/2024
	Angola	Mining (secondary) and Exploration Alluvial	1,500	10 years	40	07/2025
Mothae	Lesotho	Mining Licence	47*	10 years	70	01/2027
Merlin	Australia	Mineral Lease	24	25 years	100	12/2022 [^]
	Australia	Exploration Licence	283	5 years	100	04/2023
Orapa	Botswana	Reconnaissance	8	2 years	100	06/2024
Brooking	Australia	Exploration Licence	72	2 years	80	12/2022
	Australia	Exploration Licence	13	5 years	80	03/2024
	Australia	Exploration Licence	29	5 years	80	06/2022 [^]
	Australia	Exploration Licence	3	5 years	80	06/2023

* Area includes the protection and production area

[^]Application for licence extension in progress

3. Financial position

Despite the relatively stable demand environment for diamonds, particularly higher-value productions of SML and Mothae, as a result of the global inflationary environment and supply chain constraints adversely impacting mining costs and critical equipment availability, an impairment was required for Mothae. The Group therefore recorded a loss after tax of US\$15.9 million for the June half (H1 2021: US\$5.7 million profit). This included amongst others:

- the impairment charge of US\$10.6 million in respect of Mothae; and
- a US\$1.3 million unrealised foreign exchange loss on the Lucapa intergroup development loan to Mothae as a result of the weakening of the South African rand against the United States dollar.

The global inflationary environment's impact on material inputs, supply chain and processing constraints impacted operations adversely at Mothae and the mine reported an EBITDA loss of US\$1 million (H1 2021: US\$3 million profit) for the half year.

The impairment charge for the June half has been estimated based on the uncertainties surrounding:

- inflated medium/ long-term costs for material inputs, such as diesel, explosives and consumables;
- critical equipment availability and spares supply, such as drill rigs; and
- local currency movement compared to the United States dollar.

The Company and mine management are exploring various options to return cash operating margins, including the use of vertical pit mining, as is being proposed at Merlin.

As SML operations are (i) higher margin (ii) secondary alluvial deposits requiring no drilling and blasting to liberate diamond bearing gravels and have no crushing circuits and (iii) are located in Angola, which is a subsidised fuel environment as one of Africa's largest oil producing countries, the mining costs were far less affected by global inflationary environment and supply chain constraints. The strengthening of the Angolan currency did increase costs in United States dollar terms.

Notwithstanding the above, SML reported an EBITDA profit of US\$6.2 million (H1 2021: US\$21 million which period includes the record tender of seven high-value diamonds for US\$21.4 million) for the period largely due to the mine plans accessing different resource blocks.

On an attributable basis, the Group has recorded a US\$0.7 million (A\$1.0 million) EBITDA profit for the June half. The table below reconciles the attributable EBITDA to the reported Operating loss as per the Consolidated interim statement of profit or loss and other comprehensive income:

	US\$000	A\$000
Operating loss as per statement of profit or loss	(14,801)	(20,667)
Adjust for non-attributable entries:		
Mothae - 30% minority share	296	413
Add back non-cash items:		
AASB16 lease payments & foreign exchange translation	1,129	1,576
Mothae & LOM depreciation and impairment	13,242	18,491
SML depreciation, interest, tax and fair value adjustments	816	1,139
Attributable EBITDA profit	682	952
Made up as follows:		
Lulo	2,479	3,462
Mothae	(690)	(963)
LOM & Other	(1,107)	(1,547)

During the half year, Lucapa received a US\$4 million (A\$5 million net) dividend payment from SML following the strong operating and financial performance in 2021 (refer ASX announcement 18 February 2022). The receipt of the US\$10 million (~A\$14 million) alluvial investment loan repayment, approved by SML shareholders in 2021, was overdue due to pending approval from the National Bank of Angola ("BNA") and the Investment Authority.

As per ASX announcement 22 August 2022, these approvals have now been obtained, paving the way for the full amount of Lucapa's investment loan to be repatriated without the requirement for further BNA approvals.

The strategy to reduce debt continued to during the period where the Group settled:

- the full US\$7.7 million (A\$11.2 million) in principal and interest owing to New Azilian; and
- quarterly tranches to the IDC amounting to US\$1.4 million (A\$1.9 million).

During March 2022, Lucapa raised US\$9 million (A\$12.5 million) in a placement from institutional and sophisticated investors issuing 167 million shares at an issue price of A\$0.075 per share.

The Group had a cash balance of US\$4.5 million at 30 June 2022 (31 December 2021: US\$7.4 million). SML, which is treated as an associate and not consolidated into Lucapa's accounts in accordance with AIFRS, held US\$10 million in cash and diamond receivables.

Group net assets as at 30 June 2022, after taking into account the Mothae impairment charge of US\$10.6 million, amounted to US\$83.2 million or A\$120.5 million (31 December 2021: US\$90.2 million or A\$124.1 million).

The Board of Directors have considered the financial position and prospects of the Group as set out in the basis of preparation of the financial statements and are

satisfied that the going concern basis of preparation of the financial statements is appropriate.

4. Auditor independence declaration

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



ELDERTON
AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of Lucapa Diamond Company Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2022 there have been no contraventions of:

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

This declaration is in respect of Lucapa Diamond Company Limited and the entities it controlled during the period.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel
Audit Director

Perth
30 August 2022

Limited liability by a scheme approved under Professional Standards Legislation

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



MILES KENNEDY

Chairman

Dated this 30th August 2022.

Corporate information

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

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

Basis of preparation

Statement of compliance

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

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual financial report of the Company as at and for the year ended 31 December 2021.

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

Basis of measurement

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

Going concern

The Group recorded a loss after tax of US\$15.9 million for the June half (H1 2021: US\$5.7 million profit). This included amongst others:

- an impairment charge of US\$10.6 million in respect of Mothae; and
- a US\$1.3 million unrealized foreign exchange loss on the Lucapa intergroup development loan to Mothae as a result of the weakening of the South African rand against the United States dollar.

SML and Mothae results are summarised in the Directors' report.

As a result of the current global inflationary environment, supply chain constraints and mass balance issues adversely impacting operations at Mothae, the Company and mine management are exploring options to return margins back to Mothae, including considering the use of vertical pit mining, as is being proposed at Merlin.

As a higher margin mine, the economic prospects of SML remain very positive considering the alluvial mine operates in a diesel subsidised environment (which is less affected by the global inflationary environment and supply chain constraints) and continues to make large and significant diamond recoveries. Subsequent to the half year end, SML recovered the historic 170 carat pink coloured diamond (refer ASX announcement on 27 July 2022 and note 7).

Furthermore, approval was received in August 2022 from the Angolan National Bank paving the way for the full repatriation of the SML alluvial investment loan to the Company, without further regulatory approval. This loan owing to Lucapa by SML amounts to US\$24.6 million gross (refer note 6).

As at 30 June 2022, after taking into account the Mothae impairment charge of US\$10.6 million, the Group's assets exceeded its liabilities by US\$83.2 million (31 December 2021: US\$90.2 million).

Despite current inflationary environment pressures on costs and the supply chains, the Directors believe that the going concern basis is appropriate for the following reasons:

- The diamond market is stable for higher value productions and has rebounded strongly after COVID-19 resulting in diamond prices returning to above pre-pandemic levels;
- The book value of the Group's assets exceeds its liabilities by US\$83.2 million (post the Mothae impairment charge);
- All approvals have been obtained for SML to repay Lucapa's significant alluvial investment loan without any further regulatory approvals. As such, repayments should now follow directly following SML shareholder approval;
- Lucapa should be able to provide the necessary interim financial support to Mothae whilst it assesses a revision to the mining methodology to margins. Alternate strategic options also exist;
- As per the Updated Scoping Study (refer ASX announcement on 3 March 2022), the Merlin acquisition and mine development is likely to significantly increase Lucapa's earnings and cash flow generation once developed. To note, the development is subject to a positive feasibility due for publication in the second half of 2022 and successfully securing project development funding;
- The Group has historically been successful in raising equity for the furtherance of its projects and under ASX Listing Rule 7.1 the Company has the capacity to place securities to raise equity; and
- The Group has historically been successful in raising and restructuring debt facilities.

However, despite the Group's previous track record in sourcing new funds for its projects, there remains no assurance that the Group in future will be successful in obtaining funding as and when needed.

Consolidated interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2022			
	Note	30 Jun 2022 US\$000	30 Jun 2021 US\$000
Revenue	2	12,912	16,780
Cost of sales	3	(25,134)	(13,014)
Gross (loss)/ profit		(12,222)	3,766
Share of profit of associate	7	-	4,830
Royalties and selling expenses		(622)	(809)
Corporate expenses	3	(1,766)	(1,920)
Foreign exchange (loss)/ gain		(1,853)	790
Operating (loss)/ profit		(16,463)	6,657
Finance cost		(1,255)	(1,860)
Finance income		2	15
Fair value adjustments		603	917
(Loss)/ profit before income tax		(17,113)	5,729
Income tax expense		(440)	(36)
(Loss)/ profit after income tax		(17,553)	5,693
Other comprehensive income/ (loss)		471	(354)
Total comprehensive (loss)/ profit for the year		(17,082)	5,339
(Loss)/ profit attributable to:			
Owners of the Company		(15,019)	5,420
Non-controlling interests		(2,534)	273
		(17,553)	5,693
Total comprehensive (loss)/ income attributable to:			
Owners of the Company		(14,742)	5,154
Non-controlling interests		(2,340)	185
		(17,082)	5,339
Earnings per share		Cents	Cents
Basic (loss)/ earnings per share	4	(1.21)	0.64
Diluted (loss)/ earnings per share	4	(1.21)	0.64

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

Consolidated interim statement of financial position

as at 30 June 2022

	Note	30 Jun 2022 US\$000	31 Dec 2021 US\$000
Assets			
Cash and cash equivalents		4,539	7,366
Trade and other receivables		2,328	2,310
Contract assets		-	601
Inventories		1,864	3,058
Other current financial assets		11,202	9,772
Total current assets		19,933	23,107
Property plant and equipment	5	61,537	70,935
Non-current financial assets	6	10,325	13,012
Investment in associate	7	9,688	12,026
Total non-current assets		81,550	95,973
Total assets		101,483	119,080
Liabilities			
Trade and other payables	8	6,284	7,314
Current borrowings	9	8,146	13,344
Total current liabilities		14,430	20,658
Provision for rehabilitation		2,108	1,710
Non-current borrowings	9	1,696	6,520
Deferred tax liabilities		26	26
Total non-current liabilities		3,830	8,256
Total liabilities		18,260	28,914
Net assets		83,223	90,166
Equity			
Share capital	10	154,059	145,542
Reserves		(4,545)	(4,772)
Accumulated losses		(58,184)	(44,837)
Equity attributable to owners of the Company		91,330	95,933
Non-controlling interests		(8,107)	(5,767)
Total equity		83,223	90,166

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

Consolidated interim statement of changes in equity
 for the six months ended 30 June 2022

	Issued capital US\$000	Share based payments reserve US\$000	Foreign currency translation US\$000	Accumulated losses US\$000	Total US\$000	Non-controlling interests US\$000	Total equity US\$000
Balance at 1 January 2021	129,716	831	(5,933)	(49,831)	74,783	(4,496)	70,287
Comprehensive income for the period							
Profit for the period	-	-	-	5,420	5,420	273	5,693
Other comprehensive loss	-	-	(266)	-	(266)	(88)	(354)
Total comprehensive (loss)/ profit for the period	-	-	(266)	5,420	5,154	185	5,339
Transactions with owners, in their capacity as owners							
Issue of share capital	8,843	-	-	-	8,843	-	8,843
Expiry of options	-	(595)	-	497	(98)	-	(98)
Share issue expenses	(487)	-	-	-	(487)	-	(487)
Total transactions with owners	8,356	(595)	-	497	8,258	-	8,258
Balance at 30 June 2021	138,072	236	(6,199)	(43,914)	88,195	(4,311)	83,884
Balance at 1 January 2022	145,542	250	(5,022)	(44,837)	95,933	(5,767)	90,166
Comprehensive income for the period							
Loss for the period	-	-	-	(13,357)	(13,357)	(2,534)	(15,891)
Other comprehensive income	-	-	277	-	277	194	471
Total comprehensive loss for the period	-	-	277	(13,357)	(13,080)	(2,340)	(15,420)
Transactions with owners, in their capacity as owners							
Issue of share capital	9,060	-	-	-	9,060	-	9,060
Expiry of options	-	(50)	-	10	(40)	-	(40)
Share issue expenses	(543)	-	-	-	(543)	-	(543)
Total transactions with owners	8,517	(50)	-	10	8,477	-	8,477
Balance at 30 June 2022	154,059	200	(4,745)	(58,184)	91,330	(8,107)	83,223

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

Consolidated interim statement of cash flows
 for the six months ended 30 June 2022

	30 Jun 2022 US\$000	30 Jun 2021 US\$000
Cash flows from operating activities		
Receipts from products and related debtors	12,546	16,466
Cash paid to suppliers and employees	(12,640)	(10,849)
Interest and finance cost	(1,263)	(1,135)
Interest received	2	15
Net cash (used in)/ generated from operating activities	(1,355)	4,497
Cash flows from investing activities		
Payments for exploration costs	(1,814)	(498)
Payments for development	(2,043)	-
Dividend and receivable proceeds from associate	4,398	-
Payments for property plant and equipment	(605)	(2,424)
Net cash used in investing activities	(64)	(2,922)
Cash flows from financing activities		
Proceeds from issue of share capital	9,060	8,843
Share issue costs	(584)	(521)
Repayment of borrowings	(9,737)	(2,216)
Proceeds from borrowings	-	760
Net cash (used in)/ generated from financing activities	(1,261)	6,866
Net (decrease)/ increase in cash and cash equivalents	(2,680)	8,441
Cash and cash equivalents at beginning of period	7,366	4,136
Exchange loss on foreign cash balances	(147)	(235)
Cash and cash equivalents at end of period	4,539	12,342

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

1. Segment reporting

Overview

	Exploration & Evaluation			Mining			Corporate & other	Total
	Angola US\$000	Botswana US\$000	Australia US\$000	Angola US\$000	Australia US\$000	Lesotho US\$000	Australia US\$000	US\$000
Period ended 30 June 2022	Profit or loss							
External revenue	-	-	-	-	-	12,912	-	12,912
Inter-segment	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	12,912	-	12,912
Depreciation	-	-	-	81	-	2,528	25	2,634
Segment operating profit/ (loss)	-	-	-	1,581	-	(14,699)	(1,683)	(14,801)
Net finance (costs)/ income	-	-	-	-	-	(2,673)	1,420	(1,253)
Impairment loss	-	-	-	-	-	10,608	-	10,608
Profit/ (loss) before income tax	-	-	-	2,085	-	(17,372)	(164)	(15,451)
Other segment information								
Capital expenditure	2,512	2	33	-	320	1,017	2	3,886
As at 30 June 2022	Assets and liabilities							
Segment assets	25,309	162	2,050	31,455	10,705	29,045	2,757	101,483
Segment liabilities	-	-	6	-	660	11,358	6,236	18,260
Inter-segment loans	-	154	2,152	-	10,045	44,708	(57,059)	-
Period ended 30 June 2021	Profit or loss							
External revenue	-	-	-	-	-	16,780	-	16,780
Inter-segment	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	16,780	-	16,780
Depreciation	-	-	-	86	-	2,573	42	2,701
Share-based payments	-	-	-	-	-	5	(5)	-
Segment operating profit/ (loss)	-	-	-	4,744	-	3,188	(1,275)	6,657
Net finance (costs)/ income	-	-	-	-	-	(2,732)	887	(1,845)
Profit/ (loss) before income tax	-	-	-	5,577	-	456	(304)	5,729
Other segment information								
Capital expenditure	987	3	26	-	-	2,167	282	3,465
As at 31 December 2021	Assets and liabilities							
Segment assets	22,797	126	2,127	35,095	9,718	42,370	6,847	119,080
Segment liabilities	-	-	-	-	1,264	12,974	14,676	28,914
Inter-segment loans	-	152	2,126	-	8,391	39,694	(50,363)	-

Further information

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

2. Revenue

	30 Jun 2022 US\$000	30 Jun 2021 US\$000
Revenue from contracts with customers		
Sale of goods	12,912	16,780
	12,912	16,780

3. Expenses

	30 Jun 2022 US\$000	30 Jun 2021 US\$000
Breakdown of expenses by nature		
Raw materials, consumables and other input costs	8,228	4,490
Changes in inventories of finished goods and work in progress	1,099	3,609
Employee benefits expenses (excluding share based payments)	3,637	3,558
Depreciation and amortisation	2,633	2,701
Impairment charge	10,608	-
Auditors remuneration	22	19
Mining and short term leases	101	68
Consulting fees and other administrative expenses	572	489
Total cost of sales and corporate expenses	26,900	14,934
Employee benefits expenses		
Wages, salaries and director remuneration	3,479	3,429
Superannuation costs	53	61
Other associated employee expenses	105	68
	3,637	3,558

4. Earnings per share

	30 Jun 2022	30 Jun 2021
	Cents	Cents
Basic (loss)/ earnings per share	(1.21)	0.64
Diluted (loss)/ earnings per share	(1.21)	0.64
	US\$000	US\$000
(Loss)/ earnings used in calculating earnings per share		
Attributable to members of the Company used in calculating basic earnings per share	(15,019)	5,420
Attributable to members of the Company used in calculating diluted earnings per share	(15,019)	5,420
	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	1,237,830,121	849,422,846
Weighted average number of ordinary shares outstanding during the period used in calculation of diluted earnings per share	1,237,830,121	849,913,109

5. Property plant and equipment

Overview

	Deferred exploration and evaluation US\$000	Mine development US\$000	Plant and equipment US\$000	Stripping activity assets US\$000	Decommissioning assets US\$000	Right-of-use assets US\$000	Other assets US\$000	Total US\$000
Cost								
Balance at 1 January 2021	23,265	19,064	20,100	174	158	3,658	1,618	68,037
Additions	4,323	9,705	834	-	604	313	492	16,271
Foreign currency movements	(324)	(577)	(1,647)	(14)	(13)	(287)	(148)	(3,010)
Balance at 31 December 2021	27,264	28,192	19,287	160	749	3,684	1,962	81,298
Additions	2,547	508	220	126	369	-	116	3,886
Disposals	-	-	-	-	-	(347)	-	(347)
Foreign currency movements	(169)	634	(453)	(10)	(49)	(78)	(51)	(176)
Balance at 30 June 2022	29,642	29,334	19,054	276	1,069	3,259	2,027	84,661
Accumulated depreciation								
Balance at 1 January 2021	-	2,132	1,812	174	20	1,242	620	6,000
Amortisation/ depreciation charge for the year	-	823	2,540	-	21	1,230	354	4,968
Foreign currency movements	-	(107)	(230)	(14)	(3)	(178)	(73)	(605)
Balance at 31 December 2021	-	2,848	4,122	160	38	2,294	901	10,363
Amortisation/ depreciation charge for the year	-	558	1,233	14	37	599	202	2,643
Impairment	2,124	11,050	(2,566)	-	-	-	-	10,608
Disposals	-	-	-	-	-	(216)	-	(216)
Foreign currency movements	-	(50)	(107)	(4)	(3)	(78)	(32)	(274)
Balance at 30 June 2022	2,124	14,406	2,682	170	72	2,599	1,071	23,124
Net carrying amounts								
At 31 December 2021	27,264	25,344	15,165	-	711	1,390	1,061	70,935
At 30 June 2022	27,518	14,928	16,372	106	997	660	956	61,537

5. Property plant and equipment (continued)

Further information

Deferred exploration and evaluation costs

Deferred exploration and evaluation costs represent the cumulative expenditure incurred in relation to the Lulo, Orapa Area F and Brooking projects on diamond exploration and evaluation including plant and equipment. The Mothae Deferred exploration and evaluation costs were written off as part of the Mothae impairment charge.

The Company continues to explore for the primary kimberlite sources of the alluvial diamonds being recovered on the Lulo concession, explore for kimberlite in Botswana and for lamproite in Australia.

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

Deferred exploration and evaluation costs of US\$25.3 million (31 December 2021: US\$19.5 million) in the schedule above are related to the JV.

In light of the COVID-19 pandemic and its impact on the global economy and the diamond industry, a review of the Deferred exploration and evaluation assets has been

performed to determine if any impairment loss should be recognised based on the relevant facts and circumstances.

No adjustment has been required or recognised in terms of this during the period.

Impairment

The following key assumption averages were used in the impairment testing for Mothae:

- Ore volume treated: 1.1 Mtpa (Dec-21: 1.6 Mtpa);
- US\$/ carat average price: 851 (Dec-21: 847);
- Operating cost: US\$18.7/ tonne treated (Dec-21: US\$15.2)
- Discount rate: 10% (Dec-21: 10%);
- ZAR/ US\$ exchange rate: 17.0 (2020: 15.5).

These are considered to be level three fair value measurements in both years as they are derived from valuation techniques that include inputs that are not based on observable market data.

No other impairments were assessed as being required.

Other assets

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

6. Financial assets

Overview

	30 Jun 2022 US\$000	31 Dec 2021 US\$000
Non-current financial assets		
Receivable in respect of SML		
At 1 January	26,366	29,415
Investment during the period	39	273
Repayment received	(798)	(1,883)
Transferred to Deferred exploration and evaluation costs for Kimberlite Joint	(965)	(1,439)
	24,642	26,366
Fair value adjustment due to discounting	(3,809)	(4,312)
At end of period	20,833	22,054
Less: Current portion of receivable	(11,202)	(9,772)
Non-current receivable	9,631	12,282
Security deposit for environmental rehabilitation in respect of Merlin	694	730
Total non-current financial assets	10,325	13,012
Current financial assets		
Receivable in respect of SML		
Current portion of receivable	11,202	9,772

Further information

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

Significant unobservable inputs are the timing and amounts of future repayments which are based on the expected cash flows per the Company's forecast model for SML. Sensitivity factors which could impact the valuation include operational recoveries, diamond prices and delays in the timing of repayments which will decrease the fair value estimate. A discount rate of 16.31% (2021: 12.27%) has been applied in the fair value calculation.

7. Investment in associate

Overview

	30 Jun 2022 US\$000	31 Dec 2021 US\$000
Summarised financial information of SML		
Current assets	26,729	37,140
Non-current assets	28,567	30,333
Current liabilities	15,872	20,984
Non-current liabilities	20,833	22,054
Equity	18,591	24,435
Group's carrying amount of the investment	9,688	12,026
	30 Jun 2022 US\$000	30 Jun 2021 US\$000
Revenue	23,449	40,541
Cost of sales	(12,288)	(15,620)
Administrative and selling expenses	(9,058)	(7,441)
Fair value adjustments and finance cost	(566)	(833)
Profit before tax	1,537	16,647
Income tax expense	2,618	(4,572)
Profit for the period	4,155	12,075
Total comprehensive income for the period	4,155	12,075
Group's share of profit for the period	1,662	4,830
EBITDA	6,197	21,145

Further information

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

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

8. Trade and other payables

Overview

	30 Jun 2022 US\$000	31 Dec 2021 US\$000
Trade payables	1,278	2,695
Short-term advance	2,685	2,685
Accruals and other payables	2,321	1,934
Total	6,284	7,314

Further information

The short-term advance relates to monies advanced to Mothae in terms of the minimum cash price of US\$630/ carat contained in the partnership agreement with Safdico International Limited.

The advance is non-interest bearing and repayable from future sales, polished partnership profits or in cash by 31 December 2022.

9. Borrowings

Overview

	30 Jun 2022 US\$000	31 Dec 2021 US\$000
Current borrowings		
Lease liabilities	683	1,313
Other short-term loans	7,081	12,031
Current loans - Embedded derivatives	382	-
Total	8,146	13,344
Non-current borrowings		
Lease liabilities	74	109
Other non-current loans	1,240	5,548
Other non-current loans - Embedded derivatives	382	863
Total	1,696	6,520

Further information

Lease liabilities

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

- Mining equipment and plant at Mothae, leased at monthly payments of ZAR1.8m (US\$0.1 million) until December 2022 and ZAR0.1m (US\$0.01 million) thereafter until May 2024; and
- Various lease contracts for office space, office and other equipment used in its operations. Lease terms vary between 1 and 3 years.

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

Other loans

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

Equigold

- Loan facility of US\$4.9 million (2021: US\$4.9 million facility fully utilised);
- The principal balance is repayable in four quarterly payments of US\$1.2 million commencing October 2022;
- Market related fees payable on draw down and with interest payments;
- Equigold, at its election, can convert the last two quarterly payments into ordinary shares in the Company at the then market price;
- Interest is payable at 9.75% pa;
- Quarterly interest and fees can be converted into ordinary shares in the Company at the then market price on the following basis:
 - Fifty percent of the quarterly amount at Lucapa's election; and

- Fifty percent of the quarterly amount at Lucapa's election after agreement with Equigold;
- The loan is secured by way of a General Security Deed granted by Lucapa in favour of the lender over collateral consisting of the Company's investment in and loan to Mothae Diamonds (Pty) Ltd.

IDC

- Total loan facility of ZAR44 million (US\$2.7 million) (2020: ZAR67 million (US\$4.2 million)), fully utilised at the end of the period;
- The remaining capital balance is repayable in four quarterly payments from July 2022;
- Interest is payable quarterly based on JIBAR plus 8.6%;
- The loan is secured by way of:
 - Bonds over Mothae's movable assets, diamond treatment facility and ancillary equipment;
 - Mortgage over the mining right and the land right granted under the mining agreement;
 - A 70% proportional guarantee by Lucapa of all amounts due and payable;
 - A subordination of Lucapa's shareholder claims in and loans to Mothae, back ranking to the Equigold loan agreement;
 - A pledge and session by Lucapa of its shares in Mothae and a cession of all its loans and claims against Mothae, once such are released by Equigold;
 - A cession of insurance policies and proceeds thereof with the Lender's interest noted thereon;
 - Certain negative pledges.

Certain financial covenants to be maintained

9. Borrowings (continued)

New Azilian

- New Azilian is an entity associated with Non-Executive Director Ross Stanley;
- The loan facility was A\$11.1 million (US\$8.4 million) as at 31 December 2021. The loan was settled in full during February 2022;
- The loan was 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, which was released in full upon settlement of the loan.

Embedded derivative

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

- LOM share price at measurement date: A\$0.041 (2021: A\$0.09);
- Exercise price: A\$0.039 (2021: A\$0.085);
- Estimated volatility: 75% (2021: 70%);
- Expiry date: 1 Apr 2023/1 Jul 2023;
- Risk-free interest rate: 1.34% (2021: 1.85%)

USD/ AUD exchange rate: 0.69:1 (2021: 0.727:1).

10. Share capital and share-based payments

Overview

	30 Jun 2022	
	Number	US\$000
Listed securities		
Movement in ordinary shares (ASX code: LOM)		
On issue at beginning of period	1,272,831,478	145,542
Issue of shares	166,666,668	9,056
Issue of shares on exercise of options and performance rights	61,729	4
Transaction costs	-	(543)
On issue at end of period	1,439,559,875	154,059
Movement in listed options (ASX code: LOMOC)		
On issue at beginning of period	113,971,605	-
Issue of options	-	-
Exercise of options	(61,729)	-
Expiry of options	(113,909,876)	-
On issue at end of period	-	-
Unlisted securities		
Movement in unlisted options (A\$0.08 exercise price; expire 18 December 2022)		
On issue at beginning of period	48,680,475	-
Issue of options	-	-
Exercise of options	-	-
Expiry of options	-	-
On issue at end of period	48,680,475	-
Movement in unlisted options (A\$0.08 exercise price; expire 30 July 2025)		
On issue at beginning of period	5,000,000	-
Issue of options	-	-
Exercise of options	-	-
Expiry of options	-	-
On issue at end of period	5,000,000	-

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.

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

Share-based payments

	30 Jun 2022	31 Dec 2021
	US\$000	US\$000
Weighted average remaining contractual life of share options and performance rights in issue (years)	1.27	1.29
Weighted average Lucapa share price during the period/ year (A\$)	0.067	0.063
Share-based payment recognised		
Profit or Loss		
Director and employee options	-	-
Non-cash financing and investing activities		
Share issue expenses	-	74
Loan funding	-	-
	-	74

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

	ASX listed (LOMOC)	Unlisted	Unlisted	Weighted average price (A\$)
Exercise price (A\$)	\$0.10	\$0.08	\$0.08	
Expiry date	05-Jun-22	18-Dec-22	30-Jun-25	
Number on issue at beginning of period	8,869,083	10,754,545	5,000,000	0.09
Expiry/ lapsing of options/ performance rights	(8,869,083)	-	-	0.10
On issue at end of period	-	10,754,545	5,000,000	0.08
Exercisable at end of period	-	10,754,545	5,000,000	

11. Events subsequent to reporting date

On 20 July 2022, Lucapa announced that seven new kimberlite targets have been identified on the Merlin Diamond Project in the Northern Territory through interpretation of historical De Beers airborne hyperspectral data. The seven selected kimberlite targets lie ~3km to the east of the known Merlin kimberlites and will be followed up with visual ground inspection, soil samples for spectral analysis and heavy mineral soil samples.

On 27 July 2022, Lucapa announced the recovery of a historic 170 carat pink coloured Type IIa diamond from the Lulo alluvial mine.

On 22 August 2022, Lucapa announced that it has received a A\$2.9 million loan repayment from SML against the ~A\$14 million approved by SML shareholders in December 2021. This follows the approval by the National Bank of Angola to repatriate the full SML development loan in due course, directly following SML shareholder approval.

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

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

(a) the financial statements and notes, as set out on pages 11 to 25, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial period ended on that date;

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

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

Signed in accordance with a resolution of the Directors.



MILES KENNEDY
Chairman

Dated this 30th August 2022

ELDERTON

AUDIT PTY LTD

Independent Auditor's Review Report

To the members of Lucapa Diamond Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lucapa Diamond Company Limited, which comprises the consolidated condensed statement of financial position as at 30 June 2022, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Lucapa Diamond Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Limited liability by a scheme approved under Professional Standards Legislation

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Conclusion

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

- (a) giving a true and fair view of Lucapa Diamond Company Limited's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel
Audit Director

Perth
30 August 2022

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

Competent Person's Statement

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

No New Information

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

This announcement is for information purposes only. Neither this document nor the information contained in it constitutes an offer, invitation, solicitation or

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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.