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September **2019**
ASX Quarterly Report

28 October 2020

Highlights

- AMR Blom Diamonds continue to work with the Company to restructure and re-list FDX.
- Star Diamond Mine continues to be under Care & Maintenance. Dewatering and development at Star Diamond Mine shall commence on receipt of the Section 11 approval.
- A total of US$0.3m have been incurred during the quarter on Star historical contractor and maintenance costs. Total historical costs incurred to 30 September 2019 and paid by AMR Blom are US$0.96m, costs incurred to date are estimated at A$2.1m.
- On 30 January 2020 the Company announced the sale of the Sedibeng Mine to former Managing Director Jan Louw. This will be by way of an offset to the funds owed to Mr Louw and his related Company, Frontier Mining Projects ('FMP') of ZAR 122,194,299 (or ~US$7.5 million equivalent) and a settlement amount for ZAR 5,000,000 (or ~US$325,000 equivalent) cash consideration to be paid to FMP.
- The Company has successfully entered into agreements to convert A$7.2m into 796,880,072 ordinary fully paid shares in the Company, which includes A$0.7m of trade and other payables and A$6.95m of loans and convertible notes. The conversions are subject to shareholder approval and completion of the Entitlements Offer.
- FDX will seek continued extension of the self-imposed ASX suspension to allow for resolution of funding and subsequent lifting of self-imposed suspension of the Company.

Star Diamond Mine

A new management team has been appointed to develop the Star Mine following the termination of the current contractor, FMP, effective on 19 December 2019. The initial mine work program includes the dewatering of the flooded underground sections and establishment of stopes. The total estimated costs to restart operations at Star is expected to be A$3m and is subject to the Company finalising a re-listing. This will include the dewatering, stope establishment, and skip loading capacity to support 6,000 tonnes of primary fissure production per month. The preliminary work done to date indicates that the production milestones confirmed in the original November 2017 Competent Persons Report are realistic and achievable.

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More detail confirming the mine work program and the restart of Star Mine will be provided by FDX as progression milestones are achieved. All the rough diamonds from the run of mine (ROM) production will be sorted into different categories, selected diamonds polished and the resultant rough and polished diamonds will be sold through the Global Blom Diamond Platform thereby optimising the returns for FDX. Any future processing by Global Blom Diamonds will be subject to an agreement approved by shareholders of FDX.

Sedibeng Mine Sale

On 30 January 2020 the Company announced the sale of the Sedibeng Mine to former Managing Director Jan Louw. This will be by way of an offset to the funds owed to Mr Louw and his related Company, Frontier Mining Projects ('FMP') of ZAR 122,194,299 (or ~US$7.5 million equivalent) and a settlement amount for ZAR 5,000,000 (or ~US$325,000 equivalent) cash consideration to be paid to FMP.

The sale of Sedibeng Mine to Jan Louw and associates is a pivotal step in the financial solvency of FDX. The sale will eliminate considerable debt of ZAR 122,194,299 (or ~US$7.5 million equivalent) which leaves the Company with minimal liabilities associated with South African operations. In addition, FMP will be paid cash consideration of ZAR 5,000,000 (or~US$325,000 equivalent). The sale includes the projects located at the Sedibeng Mine, which consists of the Mine, Tailings Plant, and the Bellsbank Pit as an offset against all outstanding loans to FMP along with all liabilities sitting in the entities that hold the above assets. The sale of Sedibeng is subject to all regulatory approvals including an exemption from the Takeover Regulation Panel, to the extent applicable the Competition Commission approval and the written consent of the Minister of mines.

Conversion of Debt to Equity & Extended Loan Terms

The Consolidated Entity's liabilities as at 31 December 2019 were A$20.1m, which comprises A$7.4m in loans and convertible notes (excluding amounts owed to FMP), A$1.2m in trade and other payables (excluding amounts owed to FMP), and A$11.4m of amounts due to FMP (subject to off-set of sale of Sedibeng to FMP).

The Company has successfully entered into agreements to convert A$7.2m into 796,880,072 ordinary fully paid shares in the Company, which includes A$0.7m of trade and other payables and A$6.95m of loans and convertible notes. The conversions are subject to shareholder approval and completion of the Entitlements Offer.

The Company will additionally be required to repay $654,000 in creditor and loan repayments following the restructure and ~A$0.5m as cash consideration in the sale of Sedibeng operations. The repayment of these balances are subject to the Group completing the Entitlement Issue and completion of the Sedibeng operations sale, with agreements in place to defer repayment until the Company is in a position to do so.

In this context, the Group has entered into agreements for A$8.6m of total liabilities to restrict repayment of amounts payable to creditors, lenders, and noteholders until the Group is in a position to settle the amounts by way of conversion or repayment as noted above.

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During the period until the Company is relisted, it has secured from AMR Blom a loan facility of A$3m (US$1.95m) in October 2019, which will be offset against the any underwritten amounts in the future Entitlement issue.

In addition, the Group had entered into a US$1.7m convertible note facility with BLOM Diamond Trading DMCC ("BLOM DMCC") in March 2019 to provide capital project funding and working capital. The Company has incurred ~A$2.1m, included in amounts owed in loans and convertible notes above of $A7.4m above, as at 31 December 2019 in costs in maintaining the Star Mine under care and maintenance. The lenders have agreed to convert the amounts payable to shares, subject to shareholder approval.

Suspension of Listing Request Extension

The Company requests that the voluntary suspension of the Company's securities (FDX) first granted on 27 December 2018 continues in place.

The Company remains in discussions with a view to updating the market on its financial position and operations, and requires further time to finalise its funding strategy.

The extension of the voluntary suspension is requested until in consultation with ASX an announcement is made to the market in relation to the update.

The Company is not aware of any reason why the extension of voluntary suspension should not be granted.

Forward Looking Statements

This announcement contains forward looking statements that are subject to risk factors associated with diamond mining businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

For **investor** enquiries please contact:

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FRONTIER DIAMONDS

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About Frontier Diamonds Limited

Frontier Diamonds Limited (ASX: FDX) is an independent diamond mining company with interests in two producing underground mines in South Africa, the Sedibeng Diamond Mine and the Star Diamond Mine, and a development project at Bellsbank.

Visit www.frontierdiamonds.com for information on Frontier's current and planned future activities.

FRONTIER
DIAMONDS

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

FRONTIER DIAMONDS LIMITED

ABN	Quarter ended ("current quarter")
39 616 232 556	30 SEPTEMBER 2019

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) US'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	(345)	(345)
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(25)	(25)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	41	41
1.9	**Net cash from / (used in) operating activities**	**(329)**	**(329)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) US'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	309	309
3.6	Repayment of borrowings	(1)	(1)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**308**	**308**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	44	44
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(329)	(329)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	308	308

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) US'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**23**	**23**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US'000	Previous quarter $US'000
5.1	Bank balances	23	44
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**23**	**44**

6.	Payments to related parties of the entity and their associates	Current quarter $US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	1,700,000	957,000
7.2	Credit standby arrangements	Nil	Nil
7.3	Other (please specify)	Nil	Nil
7.4	**Total financing facilities**	1,700,000	957,000

7.5	**Unused financing facilities available at quarter end**	743,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company entered into a US$1.7m convertible note facility with BLOM Diamond Trading DMCC ("BLOM DMCC") in March 2019 to provide capital project funding and working capital. The lenders have agreed to convert the amounts payable to shares, subject to shareholder approval.

8.	**Estimated cash available for future operating activities**	**US'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(329)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(329)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	23
8.5	Unused finance facilities available at quarter end (Item 7.5)	743
8.6	Total available funding (Item 8.4 + Item 8.5)	766
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	2.3

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: ...28/10/2020.....

Authorised by: Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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