

**BlueRock Diamonds Plc**  
(Registration Number 08248437)  
**Annual Report and Financial Statements**  
for the year ended 31 December 2021

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

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# BlueRock Diamonds Plc

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## General Information

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<b>Country of Incorporation and Domicile</b>	United Kingdom
<b>Registration Number</b>	08248437
<b>Directors</b>	MJ Houston (Executive Chairman) DA Facey (Chief Financial Officer) TG Leslie (Non-Executive Director) RC Croll (Non-Executive Director) G Teichmann (Non-Executive Director)
<b>Registered Office</b>	4th Floor Reading Bridge House George Street Reading Berkshire RG1 8LS
<b>Nominated advisor and Broker</b>	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
<b>Bankers</b>	Alpha FX Group Plc
<b>Financial Public Relations</b>	St Brides Partners Ltd 51 Eastcheap London EC3M 1JP
<b>Auditors</b>	BDO LLP 55 Baker Street London United Kingdom W1U 7EU

# BlueRock Diamonds Plc

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## Chairman's Statement

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Dear Shareholders,

I am pleased to present our audited results for the year ended 31 December 2021.

### Overview

Our main goal in 2021 was to complete the transformational new plant which is designed to increase production to 1 million tonnes per annum from c 400,000 tonnes per annum. By the end of the year the plant was being commissioned and beginning to demonstrate that it would be able to achieve our future production targets. Despite the ongoing expansion works the Company achieved significantly better results than in 2020; most notably a 53% increase in the number of carats produced and revenue more than doubling. Prices achieved in the year increased by 59%, reflecting the recovery in the market after Covid-19, and the recovery of some significantly larger diamonds.

### Operations

The major objectives for the year were: 1) to open up the KV1/KV2 main pit to reflect the upgraded Diamond Resource at depth and area and this involved a material increase in development (waste) mining; 2) to complete the expanded new processing plant so that it was fully commissioned before the year end; 3) to manage the ongoing challenge of Covid-19 which was successfully done until Q4, when the Omicron version disrupted operations.

### Mining

During Q1 management began to redesign its mine plan centered around the main pit. It was agreed a material pushback was required for the mine to access the new economic depth of 120/130m versus the previous estimate of 80/100m. This entailed a step up in the strip ratio in the short term, in order to ensure predictable and secure supplies of good quality ore as the new plant ramps up to full production. This new plan was also designed to ensure that there was sufficient stockpile to enable the plant to operate more easily in the rainy season. The new mining plan was delayed in its implementation due to mining equipment failure in Q3, the shut down imposed by the DMR in November/December 2021, which led to a loss of 20 days mining as announced on 19 November 2021, and the shutdown due to Covid-19 (Omicron) in December 2021 and January 2022, leading to a further loss of 14 days of mining as announced on 22 December 2021, at which point the rainy season had started inhibiting the development of the mine further. As we have reported the rainy season has extended into May 2022, hence we are some three or four months behind schedule in the mine development. The application for the renewal of the current Mining Licence, which expired in August 2019, has been progressing well. In accordance with South African legislation, the Group has the right to continue mining until such time as the application has been processed

### Processing and Expansion project

The challenge for the year was to complete the expansion project, whilst maximising production using the old plant and later in the year utilising a mixture of the old plant, with the crushing circuit of the new plant. This proved successful although operating the two plants had an impact on costs, largely because of the requirement for a significant amount of rehandling of material.

I am pleased to say that our expansion project was completed at the end of December 2021, after delays caused by the Section 54 stoppage imposed by the DMR in November/December 2021, followed by the closure due to Covid-19 (Omicron) in December 2021 and early January 2022. Since the end of the year the ramp up in production has been hindered by the excessive rain fall in Q1 and Q2 2022.

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## Chairman's Statement

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### The Diamond Market

The diamond market recovered well in 2021. Average price per carat in 2021 was USD470 compared with USD295 in 2020, although prices in 2020 were significantly impacted by Covid-19 and the consequent cancellations of the diamond auctions. Interestingly, the 2021 average price of USD470 is 13% higher than the average for 2019 of USD415, indicating that the market has come back stronger after the pandemic. Since the end of the year the market was initially volatile with a big spike in prices in February largely linked to the Ukraine situation. It has since stabilised, but at prices significantly higher than our average for 2021. We expect the supply side of quality diamonds, as those recovered by Kareevlei, to remain tight for the foreseeable future, with the ongoing conflict in Ukraine affecting the supply of rough diamonds.

### Diamond Recoveries

The Company continued to recover an increasing number of larger stones with a value in excess of USD50,000. During 2021 twelve larger stones were recovered for an aggregate sales value of \$1,764,000. The Company recovered a record 58 carat (previous largest mid 20 carat) reflecting the potential of the Kareevlei Diamond Resource.

### Diamond Resource ("Resource")

Kareevlei hosts five known diamondiferous kimberlite pipes with a combined Inferred and Indicated Resource of 10.4 million tonnes/516,200 carats (February 2021) and produces excellent quality diamonds with 90% of output gem quality.

In February 2021, we announced a Resource update demonstrating a 49% increase in net tonnes to 10,368,300, a 53% increase in net carats to 516,200 and notably 19% of the Resource was upgraded from the Inferred to Indicated category. Based on our planned production of 1mtpa, this provides a minimum 10-year life-of-mine, however, we remain confident that the Resource will increase further once more work is completed on KV3, our largest pipe, where at present only 40% of this pipe's volume is included.

### Financing

In March 2021 the Company raised £1.5m of equity to continue to fund the expansion project which had increased in scope from a capacity of 750,000 tonnes to 1 million tonnes per annum. A further £1.6m (£0.94m received during 2021 and £0.66m in 2022) was raised for working capital purposes through a convertible loan note issued to Teichmann, following the approval of a waiver from the requirements of Rule 9 of the City Code on Takeovers and Mergers, and shareholder approval in June 2021.

As announced on 1 June 2022, the impact of the unusually high rainfall in the first five months of 2022 has severely impacted the Group's cash resources, leaving the Group requiring additional funding, whilst it completes its mining development.

Discussions continue with potential funders to BlueRock and to Kareevlei which is expected to be sufficient to fund the company through this development period. Further details will be announced as discussions progress.

### Events following the end of the year

Due to the delays in implementing the new mining plan, exacerbated by the excessive rainfall, the group sought further funding to fund the mine development costs and raised £2m through an issue of new equity in March 2022. Unfortunately, heavy rain continued into April and May 2022. As a result Mining development fell 36% (400,000 tonnes) compared to the budget for April and May, which has limited the mine's access to quality kimberlite and necessitated the use of lower grade and more difficult to handle material (high clay content) in Kareevlei's processing operations. Additionally, where BlueRock had hoped to ramp up production at its new 1Mtpa processing plant, the unforeseen days lost to rain and the lower-grade feed resulted in operations being down against budget over the period March to May by 48% on tonnes processed, 51% on grade and 74% on carats produced.

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## Chairman's Statement

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As a result of fewer diamonds being produced and sold, as well as increasing costs, BlueRock's cash resources have been depleted during what continues to be a period of heavy investment in mining development. The Company has therefore entered into discussions to obtain financing to support it through this period.

The Company continues to attract high prices for its high quality diamonds. So far in 2022 sales prices have averaged over USD600, an increase of 29% on 2021 prices.

Despite the advances made in 2021, there is still work to be done for Kareevlei to benefit fully from the potential of the new plant. The fundamentals for Kareevlei remain solid and I look forward to reporting more positive news as we move forward through the rest of the year.

I would like to thank everyone at BlueRock and Kareevlei, as well as our shareholders and key stakeholders for their continued efforts and support.

**Michael Houston**  
**Executive Chairman**

# BlueRock Diamonds Plc

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## Strategic Report

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### Operational Statement

#### Overview

Our primary focus in the year was:

- a) to complete our expansion project to get to an annual throughput of 1,000,000 tonnes, although the pandemic caused significant delays to, and had significant cost implications for the project, this was completed in December 2021 and ramp up continues, and
- b) to ensure that the mine plan would enable us to supply good quality ore for the life of mine. This process started in 2021, but was hampered by mine equipment outages and the shutdowns in November 2021, December 2021 and January 2022.

Although our focus was on development in 2021 all of our key indicators were up in 2021 compared with 2020, although it should be noted that 2020 was affected by Covid-19. Our key indicators were considerably up on 2019 as well, which was not affected by Covid-19.

#### Safety, Health and Environment

The health and safety of our employees is always paramount and in the current circumstances even more so. We have implemented, in accordance with South African Government guidelines, measures to ensure that we are compliant with best practice in relation to preventing the spread of Covid-19. Dust is a major health risk to employees and although periodical monitoring has not indicated any dust exposure exceedances, the Company is reviewing potential changes to the dry screening plant that will improve efficiency and limit dust generation. Similarly, we are reviewing potential application of dust suppression polymers on haul roads to decrease dust generation. Continuous monitoring and improvement of our safety and health performance is ensured by implementing best practice and employing competent consulting professionals to oversee core duties such as occupational health.

As part of our environmental management at the mine, we continuously monitor, review and update environmental practises at the mine to ensure our operational expansion remains compliant and environmentally responsible. Third party audits are conducted on a quarterly basis to measure compliance and performance. With the expanded operations, a civil engineering company has been contracted to conduct annual fine tailings storage facility audits as an additional layer of monitoring in priority areas. Water quality measurements have not indicated any adverse impact on groundwater quality in boreholes at the mine. The process uses only water as an 'additive', which pose negligible potential for contamination and toxic leachate from broken rock.

# BlueRock Diamonds Plc

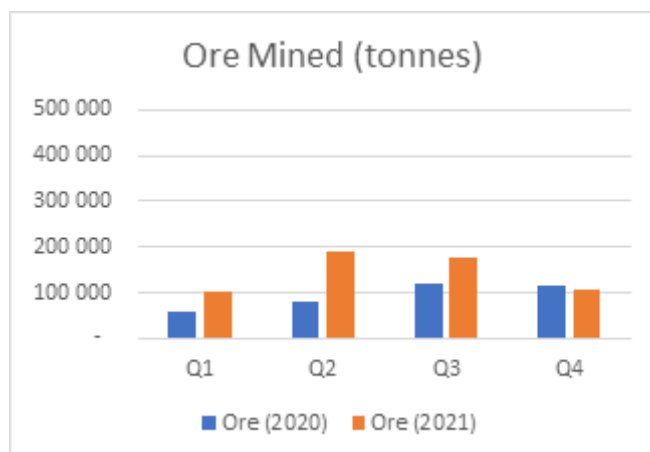
(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Strategic Report

### Mining

In the first half of the year we concentrated in providing high grade, deeper ore from KV1 in order to provide optimal feed grade to the expanded plant operation. The mine design was optimised in Q2, which required additional waste stripping to open up deeper, better grade ore and optimal value from both pipes. Additional surface infrastructure (haul roads, pumping infrastructure, wider ramps) was constructed during 2021 to aid in achieving mining targets in future.



Total waste mined in 2021 was 1,450,000 tonnes up from 791,000 in 2020 reflecting the extra work required to push back the Main Pit to design and the increased level of production.

Total ore mined in 2021 was 557,000 tonnes, up 48% on 2020 (377,000). In 2021 the main pit, which comprise KV1 and KV2, were mined and had an average strip ratio of 2.6 (2.1 in 2020). Our estimated long term strip ratio for the main pit is 1.8.

### Processing

A total of 516,000 tonnes of ore was processed during the year up 28% on the previous year's 402,000 tonnes.

Production volumes by quarter are shown below:



Production levels were up in all quarters. The management of the plant during the rainy season showed an improvement which resulted in better performance in Q1 ('21) compared to 2020.



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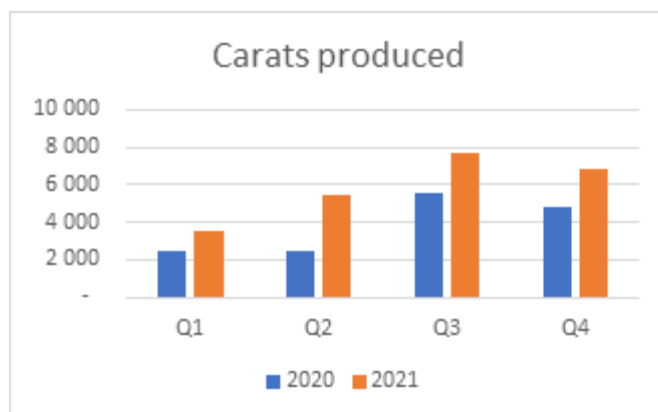
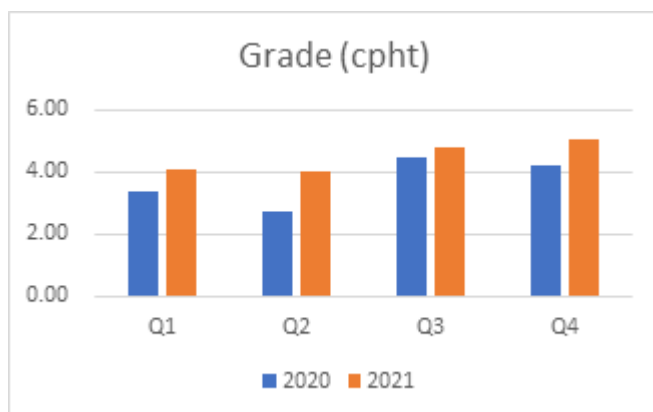
## Strategic Report

The primary crushing circuit of the new plant was utilised from mid Q3 and resulted in a boost in plant performance.

### Recoveries

#### *Grade and carats produced*

The average grade for the year increased from 3.9 cpht to 4.6 cpht. The primary reason for the increase was due to mining deeper areas of the pit in fresh kimberlite, compared to mining near surface material in 2020.

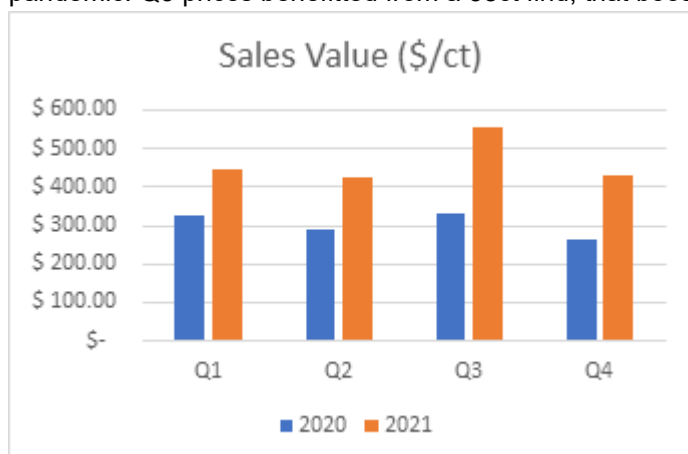


The grade for the first half of the year averaged 4.1 cpht whereas the grade for the second half averaged 4.9 cpht. The grade, especially during H2, was higher than 2020 by 20%, indicative of mining fresh kimberlite ore mostly from the high grade KV1 pipe.

Due to the grade and throughput improvements in 2021, carat production increased by 53%.

#### *Value per carat*

The market for diamonds improved in 2021, with resulting price correction after the initial impact of the Covid-19 pandemic. Q3 prices benefitted from a 58ct find, that boosted parcel value.



The Market has returned strongly in 2021 and the average price achieved in 2021 was USD470 per carat, a 59% increase on the average 2020 price of \$295 per carat.

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## Strategic Report

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### The Resource and Life of Mine

In February 2021, following a drilling programme designed to prove greater depth of Resource and to further define the surface area of the Resource, we announced an increase in our Resource as follows:

	November 2018 <sup>1</sup>	January 2021 <sup>2</sup>	Increase
Tonnes	7,700,000		
Total mined tonnes to date	(735,000)		
<b>Net tonnes</b>	<b>6,965,000</b>	<b>10,368,300</b>	<b>49 %</b>
Carats	367,000	-	
Mined carats	(29,982)	-	
<b>Net carats</b>	<b>337,018</b>	<b>516,200</b>	<b>53 %</b>
CPHT	4.83	5.00	4 %

(1) 2018 Resource statement

(2) January 2021 Resource statement

Based on our expected production run rate of 1m tonnes per annum, the current Resource estimate gives us a life of mine of 10 years, from December 2020.

We anticipate further increases in the Resource once we start to explore KV3 further. At present only 40% of the potential Resource is included in the Resource statement. However, a significant proportion of the remaining 60% has similar characteristics to parts of the Main Pit which has proved to be diamond bearing. It is planned to do additional exploratory work on KV3 starting H2 2023, at approximately the same time that exploitation of KV3 is projected to commence.

### Operational outlook

2021 improved significantly from previous years, boosted by improved throughput, grade and price. 2022 will improve in throughput and probably price, but due to ore mining in near surface, low grade KV2 areas, grade is now expected to be lower for most of the year.

Mining progress is steady, although hamstrung in Q1 ('22) and Q2 ('22) by heavy rains, well above average. The pit is being opened up to final design limits and the first permanent ramp has been installed. The high grade, fresh kimberlite ore will be open by Q4 ('22), with fresh, but lower grade kimberlite mined in the interim.

Our plant expansion and commissioning were completed in Q1 ('22) and focus is now on reliability and automation. Due to significant high rainfall in Q1 ('22), into Q2 ('22) and only weathered kimberlite ore of low grade and high clay content was available, the start of this year was under severe pressure. Both grade and throughput was severely impacted by the material available for processing. Material composition should improve from end of Q2 ('22), with grade improvement only seen from Q4 ('22). By this time, the mining operation should have been de-risked and a steady performance is expected to be evident.

The uptick of the diamond market since early 2022 has been encouraging as we are obtaining good prices for our diamonds in 2022. The average so far for this year is \$648 per carat which is higher than the average of USD470 for 2021.

Once the operation is in balance (grade and throughput volume) we will move to the third stage of our stated strategy which is to look to use our experience combined with that of our partners to expand potentially into other resources and into other countries in Sub-Saharan Africa.

**Meiring Burger**  
Chief Executive Officer - Kareevlei

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## Strategic Report

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### Financial review

#### Overview

The results for the year show significant improvement despite the continuing impact of COVID-19 during the year. Towards the end of the year we started to see increased processing volumes as the new plant came into operation and we achieved increases in waste mined, ore mined and production volumes compared to 2020. Prices also recovered during the year, and this is reflected in the increase in revenue of 118%.

#### Revenue and Loss for the Year

In 2021, the Group had revenue of £7,846,588 (2020: £3,601,819) and made a loss before tax of £1,348,897 (2020: £2,988,808), reflecting the increased production and recovery in prices since the initial effects of the COVID-19 pandemic in 2020.

#### Statement of Financial Position

Borrowings increased from £1,524,506 in 2020 to £1,950,947 in 2021, as a result of the convertible loan note issued to Teichmann Group Ltd. Property, plant and equipment have increased by £1,968,611 in the year, as investment in the mine continues, specifically in relation to the new plant. Inventories have increased by £344,527 due to an increase production during December 2021 compared to December 2020. Trade and other payables have increased by £1,502,109 due to the increase in costs related to the expansion project and increased mining activity.

#### Cash flows

##### *Investments*

During the year we invested £3,142,078 (2020: £1,268,083) in the purchase and upgrading of plant and equipment. The majority of this expenditure related to our expansion project to improve processing facilities. The rehabilitation guarantee was increased by £99,030 (2020: £101,888). This was required as the footprint of the mine has been increased.

##### *Financing*

During 2021, the Company raised a total of £1,500,000 gross of expenses through placings and subscriptions in March 2021. The fund raisings were largely to fund our expansion plans in order to reach our target of operating at an annual run rate of 400,000 tonnes, as outlined in the Operational Statement. Additionally loan fees and expenses of £582,972 were settled in shares. The Company also issued Convertible Loan Notes to Teichmann Group Ltd amounting to £1,610,000. These were payable over 12 months and £941,147 was received during the year, with the balance being paid post year end. Additionally, £462,500 of the Convertible Loan Notes to T Leslie and M Poole were repaid in the year.

##### *Cash position*

At the end of the year the Group cash balance (excluding restricted cash) was £315,353 (2020: £355,463). Additionally, the Group had diamond inventories of £346,201 (2020: £306,753).

Since the year end the Company has raised further funds amounting to £2,100,000 before expenses through a placing in March 2022. At 31 May 2022 our cash balance was £427,995 (excluding restricted cash).

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## Strategic Report

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### Risk Management

#### Principal risks and uncertainties

In addition to the extra risks resulting from the COVID-19 pandemic which are discussed below, the principal risks that relate to the Group have been set out below, categorised as follows:

- Operational risks
  - Risks relating to the Group's operations including mining
  
- Market risks
  - Risks associated with changes in the markets in which the Group operates
  
- Country risks
  - Risks relating to the Group's mining operations in South-Africa
  
- Other risks
  - COVID-19 risks and Climate Change risks
  - Sustainability and Climate Change risks
  - Conflict in Ukraine

#### Operational risks

##### *Reliability of mineral resource and reliance on historic data*

The calculation of a mineral Resource involves significant assumptions and estimates that may prove inaccurate, including assumptions of diamond prices. In calculating the Inferred and Indicated Resource at the Kareevlei tenements, reliance has been placed upon measurements and data collected by Diamond Resources Pty Limited (the vendor of the Kareevlei tenements) and other parties and the analysis of the results achieved by Kareevlei Mining (Pty) Limited. There can be no guarantee that predicted grades will continue to materialise or that the Resource will be economically viable. The Group mitigates this risk by continually assessing its production assets in order to provide further evidence to support the Resource estimates initially set out in the Competent Person's Report dated August 2013 prior to expanding our production facilities, and which was updated in February 2021.

##### *Increase in production*

The future profitability of the Group is dependent upon increasing production levels in order to achieve the necessary economies of scale. Whilst the Group believe that it has a management team with the appropriate skills, has developed a detailed plan and that it has sufficient Resources in order to achieve the required increase in production, there remain significant challenges in order to achieve this and there can be no guarantees that such an increase will be achieved neither can there be any guarantee that once achieved, such levels can continue to be achieved.

##### *Exposure to mining hazards*

Whilst the Group's exposure is reduced due to the open cast mining technique, the Group remains exposed to a number of risks and hazards associated with mining including pit wall failure, adverse weather and mechanical breakdown. The Group monitors its mining operations constantly to ensure that mining risks are minimised. In addition, the Group's production team has extensive experience operating and maintaining similar production facilities.

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### *Security risks*

Whilst the Group has implemented security procedures, there can be no guarantee that theft of plant, machinery or diamonds will not occur. Should any theft occur, the Group may suffer adverse financial consequences. We have mitigated this risk by ensuring that our security team is present at all times, and are in the process of improving our security through installing additional fencing and CCTVs, and implementing new procedures. If theft is discovered or suspected, the Company uses polygraph testing on the personnel involved, and employees who fail the tests are immediately dismissed.

### **Market risks**

#### *Exposure to a decrease in rough diamond prices*

As the Group has commenced diamond sales, the profitability of mining operations is directly related to the prevailing diamond price. Historically, diamond prices for good quality stones has been relatively stable, but are affected by numerous factors which the Group is unable to control or predict, including world production levels, international economic trends, industrial and consumer demand, currency exchange fluctuations, seasonality, speculative activity, synthetic diamonds and political events.

#### *Exposure to strengthening of the South African Rand and weakening of the US Dollar*

The Group realises US Dollars for its diamond sales and reports its results in Pounds Sterling. Should the South African Rand strengthen against the Pound, the costs of the Group's mining operations, which are largely denominated in South African Rand, may be adversely affected. Should the US Dollar weaken against the Pound, the Group's revenues may be reduced.

#### *Exposure to movements in the prices of raw materials, equipment and services*

Should market prices for raw materials, services and equipment, such as diesel or mining equipment increase, the Group's results may be adversely affected. The Group seeks to obtain the best rate for each product or service, taking into account price, service quality and reliability.

### **Country risks**

#### *Operations in South Africa*

The Group's main country of operation is South Africa. Whilst the Directors intend that the Group will carry out its activities in accordance with all applicable laws, rules and regulations, it is possible that new laws, rules or regulations may be enacted or that the interpretation of current laws, rules or regulations may change, either of which may limit the ability of the Group to operate. The Group's activities and profitability may also be adversely affected by economic or political factors outside its control.

### **Financial Risk Management**

Details of the Group's financial risk management is set out in note 29.

### **Other Risks**

#### *COVID-19 Pandemic*

The COVID-19 pandemic resulted in the mine being forced to close for a period during December 2021. Although the impact of COVID-19 has been reduced, there remains a risk, that future outbreaks could affect both production and prices.

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### *Sustainability and Climate Change*

The CEO of Kareevlei reports to the Board on any concerns over safety and environmental issues at every monthly Board Meeting. The Group produces an Environmental Management Programme Report, which it updates for changes to the footprint, layout and water use amongst other things.

The Board is cognisant of the risks presented by climate change and conscious of the need to minimise emissions. The physical risks and potential risks identified are drought, strong winds, extreme precipitation and cold or heat. Of these, the primary risk to the operation is considered to be prolonged and extreme rainfall. To mitigate this risk, the Group has put in place a policy of creating stockpiles during the dry season to ensure there is sufficient dry feed for the plant during the rainy season. However, as was seen in 2022, the duration and volume of rainfall during the wet season is difficult to predict, and the Board continues to monitor the situation closely, and will adapt its policies accordingly.

The Group recognises its reliance on fossil fuel energy, in particular diesel. The short-term focus is on improving energy efficiencies in our operational processes and reducing combustion-related fossil fuel use. Options are being continually assessed in the context of the size, nature and location of the Group's operations, the required investment and the expectations of our main stakeholders.

### *Ukraine conflict*

The immediate impacts of the conflict have been a significant increase in fuel prices and an increase in diamond prices. There is a risk of further fuel price increases, supply chains may be impacted and it is not yet clear what impact the conflict will have on supply and demand for diamonds in the longer term.

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### Key Performance indicators

As a management team we monitor a variety of performance indicators:

#### Production

Tonnes processed in 2021 was 516,000 tonnes, 28% up on 2020.

#### Grade

The average grade for 2021 was 4.6 cpht, 20% up on 2020 grade of 3.9 cpht

#### Carats produced

Carats produced were 23,497, up 53% on 2020 and carats sold were 22,980, up 41% on 2020.

#### Value per carat

The value per carat for 2021 was USD470, 59% up on 2020 when COVID-19 impacted prices.

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### Directors' Section 172 statement

This section serves as the Directors' Section 172 statement and should be read in conjunction with the Strategic Report and the Report from the Company's Corporate Governance Committee. This disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006.

The matters set out in Section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, which would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

In the above Strategic Report section of this Annual Report, the Company has set out the short to long term strategic priorities, and described the plans to support their achievement.

The analysis has been split into two distinct sections, the first to addresses Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

### Section 1. Stakeholder mapping and engagement activities within the reporting period.

The Company continuously interacts with a variety of stakeholders important to its success, such as equity investors, business partners, workforce, government bodies, local communities, suppliers and advisors. The Company strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.



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## Strategic Report

Who: Key Stakeholder groups	Why: why is it important to engage this group of stakeholders	How: how BlueRock engaged with the stakeholder group	What: what came of the engagement
<b>Equity Investors and Business Partners</b>	<p>Access to capital has been of vital importance to the long-term success of our business to enable the Group to proceed with its expansion plans for the mine. Teichmann provide a vital role in the mining process, without which the Company cannot create value for its shareholders by producing diamonds and therefore a return on the investment. Through our engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we go about executing them. We are seeking to promote an investor base that is interested in a long term holding in the Company and will support the Company in achieving its strategic objectives.</p>	<p>The key mechanisms of engagement included: Teichmann have exercised their option to appoint a representative to the board and Gary Teichmann was appointed during the period. Regular meetings are held between the Board and management of Teichmann. Prospective and existing investors The AGM and Annual and Interim Reports. Investor roadshows and presentations. Shareholder calls with the Board. Regular news releases and updates</p>	<p>We engaged with investors on topics of strategy, governance and performance. The Chairman and CFO presented at a number of investor roadshows and one-to-one meetings. Over the course of 2021, the Group raised £1.5 million in cash, gross of expenses, through new share issues and issued £1.61 million of Convertible Loan Notes to the Teichmann Group. As a result of Gary Teichmann's appointment to the Board there is a closer relationship with the Teichmann Group.</p>

### Workforce

<p>The Group has approximately 100 employees including its Directors. Four of the Directors are UK residents and one is a overseas resident. The rest of the Company's workforce is based in South Africa</p>	<p>The Group's long-term success is predicated on the commitment of our workforce to our vision and the demonstration of our values on a daily basis. Meetings were held with staff to provide project updates and ongoing business objectives. Efforts to focus on mine safety have yielded significant improvements in safety performance, resulting in a reduction of injuries in calendar year 2021.</p>	<p>General Workforce: The Company maintains an open line of communication between its employees, senior management and the Board. There is a formalised employee induction into the Company corporate policies and procedures.</p>	<p>The Remuneration Committee operated an employee Bonus scheme payable on achieving certain production targets, and the employee trust being set up to own 5% of the Company's operating subsidiary is close to being finalised. The workforce continues to be trained in aspects of corporate policies and procedures to engender positive corporate culture aligned with the Company code of conduct. Training has been put in place to develop and enhance the workforce.</p>
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# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Strategic Report

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<b>Who: Key groups</b>	<b>Stakeholder</b>	<b>Why: why is it important to engage this group of stakeholders</b>	<b>How: how engaged with stakeholder group</b>	<b>BlueRock</b>	<b>What: what came of the engagement</b>
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### Governmental bodies

The Group is regulated in South Africa, by the Department for Mineral Resources and Energy (“DMRE”).

The Group’s mining licence renewals require satisfying the requirements of the DMRE, which include changes to Broad - Based Black Economic Empowerment ownership requirements.

The Group has held several meetings with the DMRE and has ongoing dialogue in this regard.

The Group has made significant operational improvements and is finalising its amended BBBEE ownership arrangements.

### Community

The local communities at the mine site in South Africa and the surrounding area.

We need to engage with the local community to build trust. The community’s trust will mean it is more likely that any fears the community has can be assuaged and our plans and strategies are more likely to be accepted. Community engagement will inform better decision making.

The Company has identified all key stakeholders within the local communities, and has held regular meetings with all parties.

The Group has ongoing engagements with the local communities.

The Group has a social and economic impact on the local communities and surrounding area. The Company is committed to ensuring sustainable growth minimising adverse impacts. The local communities will have an interest in the ownership of the subsidiary once the BBBEE ownership is finalised. The majority of the workforce is drawn from the local communities.

### Key suppliers and Advisors

Key suppliers have been identified in South Africa. Advisors include our Nomad, brokers, lawyers, auditors and PR consultants.

A good relationship with key suppliers is essential to ensure timely supplies so as to not interrupt mining and processing.

Regular communication takes place with all key suppliers and advisors.

The Group has not experienced any problems with supplies or corporate governance issues during the year.

Key advisors are essential to ensure we maintain good governance in all areas.

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## Strategic Report

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### Section 2, Principal decisions by the Board during the period.

We define principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to our key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Group:

The Board considers that the principal decisions made in 2021 were:

**a) Fund raising in March 2021**

The Board decided to raise further equity funding in March 2021, totalling £1.5 million before expenses.

**b) Issue on £1.61m Convertible Loan Notes**

The Board decided to raise £1.61m through issuing Convertible Loan Notes to The Teichmann Group.

In making the above principal decisions, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its stakeholders as a whole. We do not believe that any stakeholders have been affected detrimentally by these decisions.

### The Strategic Report has been approved

By order of the board

**Michael Houston**  
**Executive Chairman**  
**30 June 2022**

# BlueRock Diamonds Plc

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## Board of Directors

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### **Michael Houston - Executive Chairman, aged 70**

Michael Houston is a mining veteran with over 30 years' experience in Africa having worked with companies including Anglo American (Executive roles), Shanta Gold (CEO), and Zimplats Holdings (CEO/COO). He has also worked on a consultancy basis supporting a number of companies with various project reviews and due diligence.

### **David Facey - Finance Director, aged 59**

David is a Fellow of the Institute of Chartered Accountants of England and Wales and has over 20 years' experience in Corporate Finance and Equity Capital Markets. After working at PwC, David spent 10 years at HSBC Investment Bank, where he specialised in raising funds in the UK for companies all over the world, particularly in the EMEA region.

Throughout his career David has advised governments, large corporates and smaller enterprises on public fund raising, private fund raising, mergers and acquisitions. In addition, David was a founding partner in SP Angel, an investment banking boutique specialising in advising SMEs on raising funds in the London market, both public and private.

### **Tim Leslie - Non-Executive Director, aged 55**

Tim Leslie has worked in the financial markets for over 25 years. He joined Paribas in 1986 and has since worked for JPMorgan, HSBC and then at Donaldson Lufkin & Jenrette ("DLJ"). In 2000, DLJ was bought by Credit Suisse and Tim left to join the hedge fund Moore Capital Management LLC as a portfolio manager.

In 2003 Tim launched a new fund at Moore Capital, the Moore Credit Fund, for which he was the Chief Investment Officer. Tim left Moore Capital in 2008 and launched James Caird Asset Management LLP with assets under management of US\$3.6bn as at launch. In 2011, Tim founded JCAM investments Ltd to run a family office and make longer term investments.

### **Rob Croll - Non-Executive Director, aged 70**

Rob is a Mining Engineer with some 46 years experience in the mining industry. During this period he has held a number of senior executive and consulting positions, both within the Corporate environment and as an Independent Consultant. He has also had exposure to the financial markets. Rob was the Lead Independent Non-Executive Director for Resource Generation Limited, until his resignation in Q1 2022.

### **Gary Teichmann - Non-Executive Director, aged 55**

Gary was appointed on 20 September 2021. He is Executive Chairman of the Teichmann Group and a seasoned professional in the mining, construction and agriculture sectors in Africa. As a co-founder of the Teichmann Group, he has been an instrumental force in the growth of the business.

# BlueRock Diamonds Plc

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## Corporate Governance

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The Board of BlueRock Diamonds plc (the “Company” or “BlueRock”) fully supports good corporate governance and recognises that it enhances its decision-making processes by improving the success of the Company and increasing shareholder value over the medium to long-term.

BlueRock currently complies with the principles of the Quoted Companies Alliance Corporate Governance Code (the “QCA Code”) to the extent that the Directors consider it appropriate, having regard to the Company’s size, board structure, nature of operations and available resources.

The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by good communication to promote confidence and trust. The sections below set out the ways in which the Company applies the ten principles of the QCA Code in support of the Company’s medium to long-term success, together with any areas of non-compliance.

The 10 principles are as follows:

- 1) establish a strategy and business model which promote long-term value for shareholders
- 2) seek to understand and meet shareholder needs and expectations
- 3) take into account wider stakeholder and social responsibilities and their implications for long-term success
- 4) embed effective risk management, considering both opportunities and threats, throughout the organisation
- 5) maintain the board as a well-functioning, balanced team led by the chair
- 6) ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
- 7) evaluate board performance based on clear and relevant objectives, seeking continuous improvement
- 8) promote a corporate culture that is based on ethical values and behaviours
- 9) maintain governance structures and processes that are fit for purpose and support good decision-making by the board
- 10) communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

### Principle 1

#### Business Model and Strategy

Our business model is to acquire and develop under exploited mining opportunities in sub-Saharan Africa, initially in South Africa.

Our short to medium term strategy is to concentrate on our existing asset, the Kareevlei Diamond Mine (“Kareevlei”) in the Kimberley region of South Africa, in order to establish its long-term profitability. This will involve developing a multi-pit mining operation to maximise volume, grade and de-risk this key aspect of the business. To date KV1 and KV2 have been combined into one larger more effective opencast pit and test mining completed on KV5. Management with the completion of a Resource upgrade in early 2021, will complete an “economic life of mine assessment on all 5 pipes in 2022 with the objective to setting a long term life of mine plan to fully exploit the Resource.

Once we have achieved our short to medium term strategy with the expansion/optimisation of our operations at Kareevlei, we will seek other mining opportunities.

Our expertise is in open cast mining and processing and we intend to continue to concentrate our activities on open cast mining although in the longer term, if economically advantageous, we may consider expanding our operations beyond open cast mining. We are unlikely to expand our operation into alluvial diamond mining.

### Principle 2

#### Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communications and having a constructive dialogue with both its institutional and private shareholders.

# BlueRock Diamonds Plc

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## Corporate Governance

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The Executive Chairman and Finance Director are principally responsible for shareholder liaison and have regular dialogue with investors in order to develop an understanding of their views.

The Company encourages all shareholders to attend its Annual General Meeting where they can meet and question the Directors and express ideas or concerns. In addition, the Company regularly invites shareholders to submit questions to and participate in shareholder calls and video interviews via Interactive Investor, both of which are available on the Company's website. The Directors undertake presentations and roadshows to institutional investors as appropriate. In addition, shareholder communication is answered, where possible or appropriate, by Directors or the Company's Financial PR advisors, St Brides Partners Ltd, or the Company's Nominated Adviser and broker, SP Angel Corporate Finance LLP.

### **Principle 3 Stakeholder and Social Responsibilities**

The Board recognises that the Company's continued growth and long-term success is largely reliant on its relations with its stakeholders, both internal (employees and shareholders) and external (customers, suppliers, business partners and advisors etc).

The Company maintains a regular dialogue with all of its stakeholders, including suppliers of key materials and services and its regulator in South Africa, the Department for Mineral Resources and Energy.

The Company works closely with its advisors to ensure it operates in conformity of its listing regulations as well as the social, legal, religious and cultural requirements of the countries in which it operates.

As a Company, we take our corporate social responsibilities very seriously, particularly as we operate in area of high unemployment. The Company employs a dedicated person to fulfil its social responsibility policies which involve supporting facilities that improve the quality of life of the community local to our mine. The Board is fully supportive of the assistance the Company provides to the local community.

### **Principle 4 Risk Management**

As a business operating in an emerging market there is clearly an elevated risk which is balanced by potentially greater rewards. The Board is mindful of and monitors both its corporate risks and mining risk which are set out in the risk report on pages 11 to 13.

Currently, we operate only one mine but, if and when the Company opens up additional mines, it will monitor mining risk on a mine by mine basis as each mine will present its own unique risks. Mining risks are categorised by both probability and impact and appropriate measures identified to monitor and mitigate any potential impact are monitored through the life cycle of the mine as existing risks change and new risks appear. Mining risks and mitigation are a key part of regular discussions in management meetings.

The Company's corporate risks, risk monitoring, and risk management procedures are regularly reviewed by the Board and updated as necessary. The risk report is set out on pages 11 to 13.

# BlueRock Diamonds Plc

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## Corporate Governance

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### Principle 5 Board Structure

The Plc Board contains a balance of Executive and Non-Executive Directors, including an Executive Chairman who is responsible for dealing with the strategic direction and long-term success of the Company. The Board consider that its appropriate to have an Executive Director serving as the Chair, due to the size of the company, and this will change on the appointment of a Chief Executive Officer, when considered appropriate. The Board meets at least every month or at any other time deemed necessary for the good management of the business and at a location agreed between the Board members. The Board currently consists of three Non-Executive Directors and two Executive Directors. Tim Leslie and Rob Croll are the independent Non-Executive Directors. Gary Teichmann is a Non-Executive Director but not considered to be independent due to his interest in the Teichmann Group shareholding. It is the Board's intention to revert to a Non-Executive Chairman when considered appropriate.

As announced on 16 May 2019, Teichmann Company Limited ("TCL"), an investment company controlled by trusts connected with the owners of BlueRock's strategic partner, Teichmann Group, retains a right to appoint a non-executive director to the Board whilst it maintains a holding over 10%. Gary Teichmann was appointed on 20 September 2021 as the TCL appointee. Gary is not considered to be an independent director.

TCL has entered into a Relationship Agreement with the Company which, among other matters, governs Teichmann's ability to make changes to the Company's board composition.

The CEO role is currently carried out by the Executive Chairman and the Company will appoint a CEO when the Board considers necessary.

The Executive Board members consist of the Chairman and the Finance Director.

Non-Executive Directors are required to commit to up to 4 days a month. The Executive Chairman and Finance Director are required to commit to up to 10 days a month. The monthly commitment varies depending upon the demands of the Company.

In 2021 the Board held 15 formal Board meetings. Attendance at these meetings were as follows:

<b>Director</b>	<b>Meetings attended*</b>	<b>% attended</b>
Mike Houston	15/15	100
Tim Leslie	14/15	93
David Facey	15/15	100
AT Simbanegavi	15/15	100
Rob Croll	7/8	88
Gary Teichmann	4/5	80

*\* The number of meetings are adjusted for Rob Croll and Gary Teichmann to indicate the number of meetings held whilst they were serving as Directors.*

The Audit Committee met twice in the period to which all committee members were in attendance. The Remuneration Committee and Nomination Committee met twice in the year at which all committee members were present, however given the size of the Company a number of remuneration and audit committee matters are covered in the course of normal Board meetings.

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## Corporate Governance

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### Principle 6

#### Board Composition and Experience

The Company operates in a complex and challenging technological and geographical area and the Board is mindful that in order to deal effectively with the challenges of the business and to maximise its growth opportunities it has to incorporate a broad range of skills and diversity.

The Board considers that all Directors have the relevant professional and technical skills to ensure that they are able to fulfil their duties. Mike Houston, Executive Chairman has extensive experience in the natural resources sector having been Chairman and CEO of Zimplats Holdings (ASX) and CEO of Shanta Gold (AIM), Tim Leslie has operated in the financial sector for many years and is a FCA regulated person, and David Facey is a Fellow of the Institute of Chartered Accountants and has many years of investment banking experience. Rob Croll is a Mining Engineer with some 46 years' experience in the mining industry and has held a number of senior executive and consulting positions, both within the Corporate environment and as an Independent Consultant. Gary Teichmann is Executive Chairman of the Teichmann Group and a seasoned professional in the mining, construction and agriculture sectors in Africa. As a co-founder of the Teichmann Group, he has been an instrumental force in the growth of the business.

The Board is assisted by the CEO of Kareevlei. Meiring Burger is an internationally experienced mining industry professional with more than 25 years' technical and managerial experience combined with applicable commercial acumen and a track record of delivering value safely and responsibly. He has led major, ultra-class open pit operations up to 150Mtpa with labour forces of in excess of 6,000 people in the Southern African region, and has solid experience in all aspects of exploration, mining operations, mine valuation and environmental management.

Rob Croll and Tim Leslie, notwithstanding his holding of £231,250 in a loan note (see note 16), are considered to be Independent Directors. Gary Teichmann is considered to be independent of the Executive Team.

The current composition of the Board may be found on page 19 of the Annual Report.

The Board and its Committees also seek external expertise and advice when required in particular from specialist mining and engineering consultants.

### Principle 7

#### Board Evaluation

The Board considers evaluation of its performance and that of its Committees and individual Directors to be an integral part of corporate governance to ensure it has the necessary skills, experience and abilities to fulfil its responsibilities. The goal of the Board evaluation process is to identify and address opportunities for improving the performance of the board and to solicit honest, genuine and constructive feedback.

The Board considers the evaluation process is best carried out internally given the Company's current size, however the Board will keep this under review and may consider independent external evaluation reviews in due course as the Company grows.

The last Board performance evaluation was carried out in Q3 2019, with the next evaluation scheduled to take place in Q3 2022. No evaluation took place in 2021.



# BlueRock Diamonds Plc

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## Corporate Governance

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### Board Evaluation:

#### Review

	Period
Board composition in terms of skills, experience and balance	Annually or as required
Board cohesion	Annually or as required
Board operational effectiveness and decision making	Annually
Board meetings conduct and content and quality of information	Annually or as required
The Board's engagement with shareholders and other stakeholders	Annually
The corporate vision and business plan	Annually

#### Committee Evaluation:

Board Committees' composition in terms of skills, experience and balance	Annually or as required
Board Committees' Terms of Reference	Annually
Board Committees' effectiveness	Annually

#### Individual director evaluation:

Executive Director performance in executive role	Annually
Executive Director performance and contribution to the Board	Annually
Non-Executive Director performance and contribution to the Board	Annually
Non-Executive Director's independence and time served	Annually
All Directors' attendance at Board and Committee meetings	Annually

The Board as a whole, or in part as appropriate, undertakes the evaluation process aided by the Chairman, CEO and independent Non-Executive Directors or external advisors, as necessary. The Chairman is responsible in ensuring the evaluation process is 'fit for purpose', as well as dealing with matters raised during the process. The Chairman will keep under review the frequency, scope and mechanisms for the evaluation process and amend the process as required.

Where deficiencies are identified these are addressed in a constructive manner. Where necessary individual Directors are offered mentoring and training. If deficiencies are identified within the Board as a whole, then changes or additions to the Board will be considered in conjunction with the Nominations Committee.

The evaluation process are focused on the improvement of Board performance, through open and constructive dialogue and the development and implementation of action plans.

Succession planning is a vital task for boards and the management of succession planning represents a key measure of the effectiveness of the Board and a key responsibility of both the Nominations Committee and wider Board.

### Principle 8

#### Corporate Culture

The Board recognises that a corporate culture based on sound ethical values and behaviours is an asset and provides competitive advantages. The Company is mindful that respect of individual cultures is critical to corporate success and endeavours to conduct its business in an ethical, professional and responsible manner, treating our employees, customers, suppliers and partners with equal courtesy and respect at all times. The Company is also committed to providing a safe environment for its staff and all other parties for which the Company has a legal or moral responsibility in this area.

# BlueRock Diamonds Plc

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## Corporate Governance

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In order to ensure that these values are continually applied and adopted, the Board seeks to recruit the best talent available and create a diverse talent pool.

The Board has implemented a Code for Directors' and employees' dealings in securities which it considers to be appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation.

### Principle 9 Governance Structure

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company. Whilst the Plc Board has delegated the operational management of the Company via the Operational Board to the Executive Directors and other senior management, there are detailed specific matters subject to decision by the Plc Board of Directors. These include acquisitions and disposals, joint ventures and investments, projects of a capital nature and all significant contracts. The Non-Executive Directors have a particular responsibility to constructively challenge the strategy proposed by the Executive Directors; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The senior executives enjoy open access to the Non-Executive Directors.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairman with the assistance of the Chief Executive Officer sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues.

The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non- Executive Directors. The Chairman is also responsible for ensuring that the Directors receive accurate, timely and clear information.

Given the current absence of a CEO, the Chairman is also responsible for running the business, implementing the decisions and policies of the Board and for the overall operational performance of the Company and ensuring the Company's communication with shareholders is timely, informative and accurate with due regard to commercial sensitivity and regulatory requirements.

The Finance Director is responsible for the Company's finances and the operations and technical requirements of the Company. The role of Company Secretary is undertaken by the Finance Director. Whilst the CEO of Kareevlei is not a member of the Board, he is invited to Board Meetings and is responsible for the day to day running of the Company's main asset, Kareevlei.

The Non-Executive Directors are appointed not only to provide independent oversight and constructive challenge to the Executive Directors but are also chosen to provide strategic advice and guidance. This is particularly important given the Company operates overseas in challenging markets.

All Directors are able to allocate sufficient time to the Company to discharge their duties. There is a rigorous and transparent procedure for the appointment of new directors to the Board. The search for Board candidates is conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' interests and the Company's assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk and therefore even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed. The key features of the system that operated during the year are described below.

The Board has established the following committees to assist with oversight and governance:

# BlueRock Diamonds Plc

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Annual Report and Financial Statements for the year ended 31 December 2021

## Corporate Governance

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### Audit Committee

The Audit Committee consists of Tim Leslie (chair), Rob Croll and Gary Teichmann. It oversees and reviews the Company's financial reporting and internal control processes, its relationship with external auditors and the conduct of the audit process together with its process for ensuring compliance with laws, regulations and corporate governance. It is composed entirely of Non-Executive Directors but other individuals such as the Company's CFO, Chairman and CEO of Kareevlei may be invited to attend all or any part of any meeting when deemed appropriate. The Company's external auditors are invited to attend meetings of the Committee on a regular basis.

There is currently no internal audit function in view of the size of the Company, although this is kept under annual review.

The Audit Committee has been involved with the planning of the audit for the year ended December 2021 and has discussed the audit findings with the Company's external auditors.

### Remuneration Committee

The Remuneration Committee consists of Tim Leslie (chair), Rob Croll and Gary Teichmann. The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Executive Chairman and CFO and such other members of the executive management of the Company as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

The Committee's policy is to provide a remuneration package which will attract and retain Directors and Management with the ability and experience required to manage the Company and to provide superior long-term performance. It is the aim of the Committee to reward Directors competitively and on the broad principle that their remuneration should be in line with the remuneration paid to Senior Management of comparable companies. In addition to paying fees in cash, fees have been paid also in shares and share options as a method of preserving cash within the business.

### Nomination Committee

The Nominations Committee comprises Tim Leslie (chairman), Rob Croll and Gary Teichmann. The Nominations Committee leads the process for Board Appointments and is responsible for review of the board size, structure and composition (both executive and non-executive) including any potential new applicants to ensure the Board contains the right balance of skills, knowledge and experience to manage and grow the business. The Nominations Committee will make recommendations to the Board on any proposed or suggested changes to the Board with a view on the leadership needs of the business including succession planning.

### Sustainability Committee

The Company does not consider it appropriate to establish a separate Sustainability Committee due to its current size, and these matters are considered by the whole Board at Board Meetings. The Board is committed to operating in a sustainable manner and considers how to extract responsibly, waste less, use safer processes, incorporate new sustainable technologies, promote the improved wellbeing of local communities, curb emissions, and improve environmental stewardship.

The Board recognises the need to promote responsibility for the environment within the organisation and communicate and implement this policy at all levels within the workforce.

The Board has not introduced KPIs for this aspect at the present time, but this remains under consideration.

# BlueRock Diamonds Plc

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Annual Report and Financial Statements for the year ended 31 December 2021

## Corporate Governance

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### Principle 10 Stakeholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with all of its stakeholders, including shareholders, providing them with access to information to enable them to come to informed decisions about the Company. The Investors section of the Company's website provides all required regulatory information as well as additional information shareholders may find helpful including: information on Board members, advisors and significant shareholdings, a historical list of the Company's Announcements, its corporate governance information, the Company's publications including historic Annual Reports and notices of Annual General Meetings, together with share price information.

Results of shareholder meetings and details of votes cast will be publicly announced through the regulatory system and displayed on the Company's website with suitable explanations of any actions undertaken as a result of any significant votes against resolutions.

### Audit Committee Report

An important part of the role of the Audit Committee is its responsibility for reviewing the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment and reporting of risk. The Committee devotes significant time to their review and further information on the risk management and internal control systems is provided within the Strategic Report.

A key governance requirement of the Group's financial statements is for the report and accounts to be fair, balanced and understandable. The co-ordination and review of the Group-wide input into the Annual Report and Accounts is a sizeable exercise performed within an exacting timeframe. It runs alongside the formal audit process undertaken by external Auditors and is designed to arrive at a position where initially the Audit Committee, and then the Board, is satisfied with the overall fairness, balance and clarity of the document underpinned by the following:

- detailed guidance issued to contributors at operational levels;
- a verification process dealing with the factual content of the reports;
- thorough review undertaken at different levels that aim to ensure consistency and overall balance; and
- a comprehensive review by the senior management team.

An essential part of the integrity of the financial statements are the key assumptions and estimates or judgements that have to be made. The Committee reviews key judgements prior to publication of the financial statements at the full and half year, as well as considering significant issues throughout the year. In particular, this includes reviewing any materially subjective assumptions within the Group's activities to enable an appropriate determination of asset valuation and provisioning. The Committee reviewed and was satisfied that the judgements exercised by Management on material items contained within the Annual Report were reasonable. The Committee concluded that the estimates about future production, sales volumes, diamond prices, grades, operating costs and capital expenditures used in the review were reasonable.

The Committee focussed on Management's assessment of Going Concern with respect to the Group's cash position and its commitments for the next 12 months. The Committee considered the potential uncertainties relating the possibility that the new funding arrangements will not be approved. The Committee looked at various scenarios to test the management's views and concluded that the wording contained in the Going Concern section of the Directors' Report was appropriate.

The Audit Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system. The Committee is satisfied that the Group does not currently require an internal audit function.

The Committee has recommended to the Board that shareholders support the re-appointment of the Auditors at the 2022 AGM.

# BlueRock Diamonds Plc

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Annual Report and Financial Statements for the year ended 31 December 2021

## Corporate Governance

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### Remuneration committee report

The Remuneration Committee (“Committee”) has been engaged on all matters of corporate remuneration.

Over the past year and into 2022, the Committee has considered the following matters:

- Executive compensation including base compensation, bonus and equity incentives;
- Non-Executive Directors' remuneration

As a result of the Remuneration Committee's deliberations it has been agreed that share based incentive schemes should be reserved for the executive team only and that Non-Executive Directors should be paid a market rate for their services which hitherto have been provided largely for no payment.

The Remuneration Committee will meet formally in Q3 2022 in order to approve remuneration for the following year. The annual remuneration for the Directors is noted in the Directors' report.

# BlueRock Diamonds Plc

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Consolidated and Separate Annual Financial Statements for the year ended 31 December 2021

## Directors' Report

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The Directors present their report for the year ended 31 December 2021.

### 1. Review of activities

#### Main business and operations

The principal activity of the Group is diamond mining in the Kimberley region of South Africa. There were no major changes herein during the year.

The operating results and consolidated statement of financial position of the Group are fully set out in the attached financial statements together with a review of the Group's performance and prospects contained in the chairman's statement.

### 2. Going concern

The Group and parent Company have prepared forecasts covering the period to 31 December 2023. Appropriate diligence has been applied by the Directors who believe that the forecasts are prepared on a realistic basis using the best available information.

As announced on 1 June 2022, the impact of the unusually high rainfall in the first five months of 2022 has resulted in a significant reduction in production compared to our forecasts, resulting in a severe impact on the Group's cash resources, leaving the Group and parent Company requiring additional funding in the immediate future, whilst it completes its mining development.

Discussions are ongoing with an existing shareholder for BlueRock to issue a new Loan Note ("LN") for £1.6m as well as the provision of debt funding facility to Kareevlei for up to ZAR30m to be drawn as and when required. The forecasts indicate that the combination of the LN and debt funding facility will be sufficient to meet the Group's cash requirements over the going concern period, however, until the LN has been issued and the debt funding facility finalised, there remains an uncertainty that this financing will be available.

After review of the uncertainty, the Directors have a reasonable expectation, based on discussions and correspondence with the existing shareholder, that the additional funding will be received and the Group and parent Company will then have adequate resources to continue in operational existence for the foreseeable future, based on its assessment of the forecasts, principal risks and uncertainties and mitigating actions considered available to the Group and parent Company in the event of downside scenarios. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

However, at the date of approval of these financial statements, uncertainties relating to completing the issue of the funding arrangements indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group and parent Company were unable to continue as a going concern.

### 3. Events after reporting date

Refer to note 28 of the Consolidated Financial Statements for a detailed discussion of events that occurred after the reporting date

# BlueRock Diamonds Plc

(Registration Number 08248437)

Consolidated and Separate Annual Financial Statements for the year ended 31 December 2021

## Directors' Report

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### 4. Directors' interest in contracts

The holdings of the Directors and their related parties in the share capital of the Group are as follows:

	Number of ordinary shares	Percentage of share capital	Number of ordinary shares subject to share options	Percentage of share capital subject to share options
T Leslie	21,274	0.10%	-	0.00%
D Facey	112,285	0.52%	181,564	0.83%
M Houston	144,285	0.66%	279,304	1.28%
AT Simbanegavi (former director)	24,285	0.11%	363,127	1.67%
RC Croll	-	0.00%	-	0.00%
G Teichmann*	-	0.00%	-	0.00%

\* G Teichmann has an interest in the Company through his shareholding in the Teichmann Group.

Other than as disclosed above, none of the Directors, nor any persons connected with them, is interested in any related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the ordinary shares, including a contract for difference or a fixed odds bet. There are no outstanding loans granted or guarantees provided by any member of the Group to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Group, other than what is disclosed in note 27.

Other than as disclosed in this Annual Report and Accounts, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

In the case of those Directors or key Managers who have roles as Directors of companies which are not a part of the Group, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those Directors to companies of which they are Directors from time to time may give rise to conflicts of interest with the duties owed to the Group. Except as expressly referred to in this Annual Report and Accounts, there are no potential conflicts of interest between the duties owed by the Directors to the Group and their private duties or duties to third parties.

### 5. Dividend

No dividend was declared or paid to shareholders during the year.

# BlueRock Diamonds Plc

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## Directors' Report

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### 6. Directors

The Directors of the Company during the year and up to the date of this report are as follows:

	<b>Nationality</b>	<b>Appointment/ Resignation date</b>
MJ Houston (Executive Chairman)	British	4 September 2013
DA Facey (Chief Financial Officer)	British	1 December 2017
TG Leslie (Non-Executive Director)	British	2 November 2018
AT Simbanegavi (Former Chief Operating Officer)	Zimbabwean	Resignation date: 1 March 2022
RC Croll (Non-Executive Director)	British	21 May 2021
G Teichmann (Non-Executive Director)	South African	20 September 2021

### 7. Financial risk management

Details of the Group's financial risk management is set out in note 29.

### 8. Significant shareholders as at the date of this report

Other than as set out below, the Group is not aware of any holding in the Group's ordinary share capital which amounts to 3 per cent or more of the Group's issued share capital:

<b>Name</b>	<b>Holding</b>		<b>Shares which could be acquired through other financial instruments</b>	
	<b>Number of ordinary shares</b>	<b>Percentage of share capital</b>	<b>Number of ordinary shares</b>	<b>Percentage of share capital</b>
Teichmann Company Limited and associated companies	3,641,271	16.72%	6,465,247	29.69%
Binvic (Pty) Ltd	2,682,487	12.32%	-	0.00%
Spreadex Limited	825,794	3.79%	475,700	2.18%
Edale Europe Absolute Master Fund	1,167,500	5.36%	-	0.00%

The Takeover Panel executive has opined that a concert party exists which comprises of the following members with a current aggregate shareholding of 16.72%. Details of which are:

<b>Name</b>	<b>Holding</b>	
	<b>Number of ordinary shares</b>	<b>Percentage of share capital</b>
Teichmann Group:		
Teichmann Company Limited	2,480,262	11.39%
T-Three Drilling (Mauritius) Limited	971,624	4.46%
Gold Finger Investments Ltd	26,000	0.12%
C Holton	65,354	0.30%
B Nicolay	43,612	0.20%
A McKinney	54,419	0.25%
M Houston	144,285	0.66%
<b>Total</b>	<b>3,785,556</b>	<b>17.38%</b>



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## Directors' Report

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M Houston is not considered to be part of the Teichmann Group, but is considered part of the concert party.

### 9. Auditor

BDO LLP were the independent auditors for the year under review.

### 10. Annual General Meeting

The Group will send out a Notice to shareholders of its Annual General Meeting in due course.

### 11. Directors' and Officers' insurance

The Group maintains insurance cover for all Directors and Officers of Group Companies against liabilities which may be incurred by them while acting as Directors and Officers.

### 12. Directors' remuneration

Details of the remuneration of the Directors for the financial year are set out below:

MJ Houston - received fees of £79,167 (2020: £59,500)  
TG Leslie - received fees of £20,833 (2020: £19,167)  
D Facey - received fees of £81,000 (2020: £59,000)  
AT Simbanegavi - received fees of £30,000 (2020: £27,500)  
RC Croll - received fees of £9,375 (2020: £nil)  
G Teichmann - received no remuneration for the period

No new share options were granted during the financial year.

### 13. Directors' responsibility statement

#### Directors' responsibility

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared with UK adopted international accounting standards and in relation to the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the Financial Statements; and,
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

# BlueRock Diamonds Plc

(Registration Number 08248437)

Consolidated and Separate Annual Financial Statements for the year ended 31 December 2021

## Directors' Report

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The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

### 14. Statement of disclosure to auditor

So far, as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

### On behalf of the Board

**Michael Houston**  
**Executive Chairman**  
**30 June 2022**

# **Independent auditor's report to the members of BlueRock Diamonds plc**

## **Opinion on the financial statements**

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BlueRock Diamonds plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated and Company Statements of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity – Group, Statement of Changes in Equity – Company, Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements which highlights that the Group and Parent Company's liquidity is dependent on the completion of issue of a new loan note as well as the provision of a debt funding facility, both with an existing shareholder, to enable it to continue as a going concern. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We have highlighted going concern as a key audit matter based on our assessment of risk and the effect on our audit strategy.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included the following testing:

- As part of our site visit, we inspected and discussed the progress of the ramp up of the new plant with the Directors and key operational Management on-site at the mine in South Africa and the Audit Committee and their assessment of any future risks and uncertainties.
- We obtained and critically assessed the Director's base case cash flow forecasts, which had been approved by the Board, and challenged the Director's assumptions in respect of diamond process, production, operating costs and capital expenditure. In doing so, we considered factors such as past performance, trading to date in H1 FY2022 and external market data.
- We evaluated the forecast production levels against post year end actuals and considered the impact of recent plant upgrades on the achievability of forecasts.
- We reviewed the Director's reverse stress testing analysis to determine the point at which liquidity breaks and considered whether such scenarios, including significant reductions in diamond prices, sustained production interruption or delays to sale tenders, were possible.
- We inspected correspondence regarding the Heads of Terms for the proposed loan facility from one of the Company's shareholders. We made inquiries of Management, Directors and the Audit Committee as to the basis upon which they anticipate such funding being approved by the shareholders and receipt of regulatory approvals, which may be required.
- We considered the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation in light of our understanding of the Group and Parent Company obtained throughout the audit.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Overview

<b>Coverage</b>	<i>100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets</i>		
<b>Key audit matters</b>		<b>2021</b>	<b>2020</b>
	Going concern	Yes	Yes
	Carrying value of mining assets	Yes	Yes
<b>Materiality</b>	<i>Group financial statements as a whole</i> £118,000 (2020: £58,000) based on 1.5% (2020: 1.5%) of revenue.		

## **An overview of the scope of our audit**

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Whilst BlueRock Diamonds plc is a Company registered in England and listed on the Alternative Investment Market in the UK, the Group's principal operations are located in South Africa. In approaching the audit, we considered how the Group is organised and managed. We assessed there to be two significant components, being the Parent Company and Kareevlei Mining Proprietary Limited in South Africa, which holds the Group's mining operations. The remaining components were considered non-significant to the Group audit and the Group audit team performed analytical review procedures in respect of these components.

A full scope audit for Group reporting purposes were performed on the significant component Kareevlei Mining Proprietary Limited by a local BDO member firm. The Group audit team performed a full scope audit of the Parent Company, specific procedures over key risk areas for the significant component including the Key Audit Matters detailed above and performed the audit of the consolidation.

### *Our involvement with component auditors*

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- We held planning meetings with the component auditors and local management at Kareevlei Mining Proprietary Limited.
- Detailed Group reporting instructions were sent to the component auditors, which included the materiality levels, significant risks and significant areas to be covered by their audit, and set out the information to be reported to the Group team.
- We received and reviewed Group reporting submissions and performed a review of the component auditors' file. Our review was performed remotely using our online audit software.
- We held clearance meetings with the component auditors and local management to discuss significant audit and accounting issues and judgements.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section of our report, we identified the following matter as a key audit matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p data-bbox="240 394 352 510"><b>Carrying value of mining assets</b></p> <p data-bbox="240 546 341 663"><i>Refer to notes 3.1.5, 5, 6, and 7.</i></p> <p data-bbox="379 423 783 573">The Group's mining assets, as disclosed further in notes 5, 6 and 7 of the financial statements represents the Group's significant assets as at 31 December 2021.</p> <p data-bbox="379 607 775 969">Management and the Board are required to assess whether there are any potential impairment indicators which would indicate that the carrying value of the assets at 31 December 2021 may not be recoverable. As detailed in note 3.1.5, there are judgements and inherent uncertainties involved in assessing the mining assets for indicators of impairment.</p> <p data-bbox="379 1003 775 1182">Management have performed an impairment indicator review under applicable accounting standards and have not identified an indicator of potential impairment.</p> <p data-bbox="379 1216 756 1395">We determined the carrying value of mining assets to be a key audit matter given the significant judgements required in respect of the assessment of indicators of impairment.</p>	<p data-bbox="805 423 1353 602">We reviewed and challenged Management's impairment indicator assessment and confirmed it was performed in accordance with relevant accounting standards in order to determine whether there were any indicators of impairment.</p> <p data-bbox="805 636 1353 846">We obtained and reviewed Management's life of mine plan to confirm that significant headroom existed over the asset carrying value as part of our assessment of impairment indicators. In performing our procedures on Managements life of mine plan:</p> <ul data-bbox="858 880 1353 2011" style="list-style-type: none"> <li data-bbox="858 880 1353 1182">• We compared the current year financial performance against budget to identify potential impairment indicators and to evaluate the accuracy of Management forecasts. Where performance was below budget we considered the underlying drivers and the extent to which they impacted the quality of forward estimates.</li> <li data-bbox="858 1216 1353 1305">• We compared the Group's market capitalisation at year end to its net assets.</li> <li data-bbox="858 1339 1353 1552">• We reviewed the Competent Person's Report to support the mineral resource included in the life of mine plan and performed an assessment of the independence, objectivity and competence of the expert.</li> <li data-bbox="858 1585 1353 2011">• As part of our review of the life of mine plan, we evaluated the appropriateness of key estimates and assumptions used by Management, including diamond pricing, production, operating costs and capital expenditure, against market data and historical trends. We reviewed Management's sensitivity analysis and performed additional sensitivity analysis on key assumptions such as diamond pricing to confirm that the forecast headroom is not sensitive to</li> </ul>

		<p>reasonably possible changes in assumptions.</p> <p><b>Key observations:</b></p> <p>We found Management’s judgements used in their assessment of indicators of impairment to be appropriate.</p>
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## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
<b>Materiality</b>	£118,000	£58,000	£70,800	£35,000
<b>Basis for determining materiality</b>	1.5% of Revenue	1.5% of Revenue	Capped at 60% of Group materiality	Capped at 60% of Group materiality
<b>Rationale for the benchmark applied</b>	We consider revenue to be the most significant determinant of the Group’s financial performance used by shareholders given the expansion project and the Group’s commercial production not yet stabilised.	We consider revenue to be the most significant determinant of the Group’s financial performance used by shareholders given the focus on increasing production.	Given the assessment of the components aggregation risk.	Given the assessment of the components aggregation risk.
<b>Performance materiality</b>	£88,500	£43,500	£53,000	£26,250
<b>Basis for determining performance materiality</b>	75% of Materiality, set after considering a	75% of Materiality, set after considering a	75% of Materiality, set after considering a number of factors including	75% of Materiality, set after considering a

	number of factors including the expected value of known and likely misstatements and Management's attitude towards proposed misstatements.	number of factors including the expected value of known and likely misstatements and Management's attitude towards proposed misstatements.	the expected value of known and likely misstatements and Management's attitude towards proposed misstatements.	number of factors including the expected value of known and likely misstatements and Management's attitude towards proposed misstatements.
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### *Component materiality*

We set materiality for each component of the Group based on a percentage of between 90% and 60% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £70,800 to £106,200 (2020: £35,000 to £52,200). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### *Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,400 (2020: £2,900). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	In our opinion, based on the work undertaken in the course of the audit: <ul style="list-style-type: none"> <li>the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> </ul>
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	<ul style="list-style-type: none"> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>

## Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable for the Group and Parent Company and the industry in which it operates, and considered the risk of acts by the Group and Parent Company that were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to

be the Companies Act 2006, tax and legislation and the various Mining Regulations in South Africa.

- Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the Group and Parent Company. Our procedures involved making enquiries of Management, Directors and those charged with governance to understand their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance of laws or regulations by officers and employees for the Group and Parent Company, inquiring about the Group and Parent Company's methods of enforcing and monitoring compliance with such policies and reviewing board minutes to identify any instances of non-compliance.
- We instructed the component auditors to undertake procedures in respect of the various South African mining regulations.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We considered the significant fraud risk areas to be in relation to revenue recognition and Management override of controls.
- We made enquiries of Management, the Directors and the Audit Committee as to their knowledge of any fraud, including suspected or alleged fraud.
- In respect of the theft that was identified by Management post year end, as described in note 3.1.9 we carried out the following audit procedures: we discussed the theft with Management and obtained and reviewed Management's assessment of the theft, including the impact on the financial statements. In addition, we have reviewed the disclosure in the financial statements.
- We addressed the fraud risk in relation to revenue recognition, agreeing a sample of revenue transactions to supporting documentation, including testing that revenue transactions were recorded in the correct period.
- We addressed the risk of management override of internal controls, including testing a risk based selection of journals and evaluating whether there was evidence of bias in Management's estimates (Refer to the key audit matters' section) that represented a material misstatement due to fraud.
- We also communicated relevant identified laws and regulations and potential fraud risks to the component audit team and all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- In respect of the component auditors, we communicated specific procedures to be performed in relation to testing the appropriateness of journal entries made throughout the year by applying specific criteria to select journals which may be indicative of possible irregularities and fraud and also by assessing the judgements made by Management when making key accounting estimates and judgements, and challenging Management on the appropriateness of these judgements. As part of our Group audit, we performed a review of the component auditors' file, which included the areas detailed above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws

and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jill MacRae (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
30 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Consolidated and Company Statements of Financial Position

Figures in £	Notes	Group 2021	Group 2020	Company 2021	Company 2020
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	4,312,946	2,344,335	-	-
Right-of-use assets	6	517,789	520,795	-	-
Mining assets	7	1,839,809	560,332	-	-
Investments in subsidiaries	8	-	-	517,867	5
Other receivables	10	492,596	425,319	12,147,002	10,360,032
<b>Total non-current assets</b>		<b>7,163,140</b>	<b>3,850,781</b>	<b>12,664,869</b>	<b>10,360,037</b>
<b>Current assets</b>					
Inventories	9	802,835	458,308	-	-
Trade and other receivables	10	93,646	162,163	27,460	136,190
Cash and cash equivalents (including restricted cash of £206,418 (2020: £214,499))	11	521,771	569,962	348,993	537,525
<b>Total current assets</b>		<b>1,418,252</b>	<b>1,190,433</b>	<b>376,453</b>	<b>673,715</b>
<b>Total assets</b>		<b>8,581,392</b>	<b>5,041,214</b>	<b>13,041,322</b>	<b>11,033,752</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	12	706,050	454,333	706,050	454,333
Share premium	12	8,656,201	6,885,796	8,656,201	6,885,796
Other equity	12	94,680	-	94,680	-
Accumulated loss		(7,781,745)	(7,223,054)	(673,019)	(473,817)
Other reserves	13	3,286,179	3,393,154	2,506,862	3,081,203
<b>Total equity attributable to owners of parent</b>		<b>4,961,365</b>	<b>3,510,229</b>	<b>11,290,774</b>	<b>9,947,515</b>
Non-controlling interests	8	(2,223,906)	(2,261,809)	-	-
<b>Total equity</b>		<b>2,737,459</b>	<b>1,248,420</b>	<b>11,290,774</b>	<b>9,947,515</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Provisions	14	544,692	454,197	-	-
Borrowings	16	1,333,345	828,300	987,658	465,601
Lease liabilities	6	564,063	551,743	-	-
<b>Total non-current liabilities</b>		<b>2,442,100</b>	<b>1,834,240</b>	<b>987,658</b>	<b>465,601</b>
<b>Current liabilities</b>					
Trade and other payables	15	2,739,672	1,237,563	293,435	111,826
Borrowings	16	617,602	696,206	469,455	508,810
Lease liabilities	6	44,559	24,785	-	-
<b>Total current liabilities</b>		<b>3,401,833</b>	<b>1,958,554</b>	<b>762,890</b>	<b>620,636</b>
<b>Total liabilities</b>		<b>5,843,933</b>	<b>3,792,794</b>	<b>1,750,548</b>	<b>1,086,237</b>
<b>Total equity and liabilities</b>		<b>8,581,392</b>	<b>5,041,214</b>	<b>13,041,322</b>	<b>11,033,752</b>

These financial statements were approved by the Board and authorised for issue on 30 June 2022

**Michael Houston**  
Executive Chairman

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Figures in £	Notes	Group 2021	Group 2020
Revenue from contracts with customers	17	7,846,588	3,601,819
Other income		8,672	1,062
Administrative expenses		(133,546)	(192,137)
Operating expenses		(7,823,169)	(5,683,454)
Other gains	18	16,488	853
<b>Loss from operating activities</b>	19	<b>(84,967)</b>	<b>(2,271,857)</b>
Finance income	20	31,552	24,209
Finance costs	21	(384,288)	(248,022)
Other losses	18	(911,194)	(493,138)
<b>Loss before taxation</b>		<b>(1,348,897)</b>	<b>(2,988,808)</b>
Income tax expense	22	-	-
<b>Loss for the year</b>		<b>(1,348,897)</b>	<b>(2,988,808)</b>
<b>Loss for the year attributable to:</b>			
Owners of Parent		(1,222,590)	(2,388,532)
Non-controlling interest		(126,307)	(600,276)
		<b>(1,348,897)</b>	<b>(2,988,808)</b>
<b>Other comprehensive loss net of tax</b>			
<b>Components of other comprehensive income that may be reclassified to profit or loss</b>			
Gains on exchange differences on translation		631,576	397,605
<b>Total other comprehensive income</b>		<b>631,576</b>	<b>397,605</b>
<b>Total comprehensive loss</b>		<b>(717,321)</b>	<b>(2,591,203)</b>
<b>Comprehensive loss attributable to:</b>			
Owners of parent		(755,224)	(2,094,304)
Non-controlling interests		37,903	(496,899)
		<b>(717,321)</b>	<b>(2,591,203)</b>
<b>Basic and diluted loss per share</b>			
Basic loss per share	24	(0.09)	(0.35)

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The loss after taxation for the financial year for the parent company was £863,101 (2020: Loss of £680,058).

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Consolidated Statement of Changes in Equity - Group

Figures in £	Share capital	Share premium	Value of conversion right	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated loss	Attributable to owners of the parent	Non-controlling interests	Total
<b>Balance at 1 January 2020</b>	162,900	4,147,980	-	2,003,010	17,723	1,097,751	(5,120,207)	2,309,157	(1,764,910)	544,247
<b>Changes in equity</b>										
Loss for the year	-	-	-	-	-	-	(2,388,532)	(2,388,532)	(600,276)	(2,988,808)
Other comprehensive income	-	-	-	-	294,228	-	-	294,228	103,377	397,605
Total comprehensive income for the year	-	-	-	-	294,228	-	(2,388,532)	(2,094,304)	(496,899)	(2,591,203)
Issue of equity	291,433	2,870,501	-	-	-	-	-	3,161,934	-	3,161,934
Share issue expenses	-	(132,685)	-	-	-	-	-	(132,685)	-	(132,685)
Share-based payments	-	-	-	-	-	266,127	-	266,127	-	266,127
Transfer lapsed options to accumulated loss	-	-	-	-	-	(285,685)	285,685	-	-	-
<b>Balance at 31 December 2020</b>	<b>454,333</b>	<b>6,885,796</b>	<b>-</b>	<b>2,003,010</b>	<b>311,951</b>	<b>1,078,193</b>	<b>(7,223,054)</b>	<b>3,510,229</b>	<b>(2,261,809)</b>	<b>1,248,420</b>
<b>Balance at 1 January 2021</b>	454,333	6,885,796	-	2,003,010	311,951	1,078,193	(7,223,054)	3,510,229	(2,261,809)	1,248,420
<b>Changes in equity</b>										
Loss for the year	-	-	-	-	-	-	(1,222,590)	(1,222,590)	(126,307)	(1,348,897)
Other comprehensive income	-	-	-	-	467,366	-	-	467,366	164,210	631,576
Total comprehensive income for the year	-	-	-	-	467,366	-	(1,222,590)	(755,224)	37,903	(717,321)
Issue of equity	251,717	1,831,255	-	-	-	-	-	2,082,972	-	2,082,972
Share issue expenses	-	(60,850)	-	-	-	-	-	(60,850)	-	(60,850)
Share-based payments	-	-	-	-	-	89,558	-	89,558	-	89,558
Transfer lapsed options to accumulated loss	-	-	-	-	-	(663,899)	663,899	-	-	-
Value of conversion rights-convertible notes	-	-	94,680	-	-	-	-	94,680	-	94,680
<b>Balance at 31 December 2021</b>	<b>706,050</b>	<b>8,656,201</b>	<b>94,680</b>	<b>2,003,010</b>	<b>779,317</b>	<b>503,852</b>	<b>(7,781,745)</b>	<b>4,961,365</b>	<b>(2,223,906)</b>	<b>2,737,459</b>
Notes	12	12	12	13	13	13				

# BlueRock Diamonds Plc

(Registration Number 08248437)

Consolidated and Separate Financial Statements for the year ended 31 December 2021

## Statement of Changes in Equity - Company

Figures in £	Share capital	Share premium	Value of conversion right	Capital redemption reserve	Share-based payment reserve	Accumulated loss	Total
<b>Balance at 1 January 2020</b>	162,900	4,147,980	-	2,003,010	1,097,751	(79,444)	7,332,197
<b>Changes in equity</b>							
Loss for the year	-	-	-	-	-	(680,058)	(680,058)
Total comprehensive income	-	-	-	-	-	(680,058)	(680,058)
Issue of equity	291,433	2,870,501	-	-	-	-	3,161,934
Share issue expenses	-	(132,685)	-	-	-	-	(132,685)
Share-based payments	-	-	-	-	266,127	-	266,127
Transfer of lapsed options to accumulated loss	-	-	-	-	(285,685)	285,685	-
<b>Balance at 31 December 2020</b>	<b>454,333</b>	<b>6,885,796</b>	<b>-</b>	<b>2,003,010</b>	<b>1,078,193</b>	<b>(473,817)</b>	<b>9,947,515</b>
<b>Balance at 1 January 2021</b>	<b>454,333</b>	<b>6,885,796</b>	<b>-</b>	<b>2,003,010</b>	<b>1,078,193</b>	<b>(473,817)</b>	<b>9,947,515</b>
<b>Changes in equity</b>							
Loss for the year	-	-	-	-	-	(863,101)	(863,101)
Total comprehensive income	-	-	-	-	-	(863,101)	(863,101)
Issue of equity	251,717	1,831,255	-	-	-	-	2,082,972
Share issue expenses	-	(60,850)	-	-	-	-	(60,850)
Share-based payments	-	-	-	-	89,558	-	89,558
Transfer lapsed options to accumulated loss	-	-	-	-	(663,899)	663,899	-
Value of conversion rights-convertible notes	-	-	94,680	-	-	-	94,680
<b>Balance at 31 December 2021</b>	<b>706,050</b>	<b>8,656,201</b>	<b>94,680</b>	<b>2,003,010</b>	<b>503,852</b>	<b>(673,019)</b>	<b>11,290,774</b>
Note	12	12	12	13	13		

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Consolidated and Company Statements of Cash Flows

Figures in £	Notes	Group 2021	Group 2020	Company 2021	Company 2020
<b>Cash flows from / (used in) operations</b>					
Cash from/(used in) operations	26	2,405,359	(1,025,363)	(180,462)	(530,401)
<b>Net cash flows from / (used in) operations</b>		<b>2,405,359</b>	<b>(1,025,363)</b>	<b>(180,462)</b>	<b>(530,401)</b>
<b>Cash flows used in investing activities</b>					
Proceeds from sales of property, plant and equipment	5	56,572	2,889	-	-
Purchase of property, plant and equipment	5	(2,669,974)	(1,268,083)	-	-
Purchase of mining assets	7	(1,395,448)	-	-	-
Increase in loan advanced to Group Company	10	-	-	(1,831,782)	(2,030,802)
Movement in other receivables	10	(99,030)	(101,888)	-	-
<b>Cash flows used in investing activities</b>		<b>(4,107,880)</b>	<b>(1,367,082)</b>	<b>(1,831,782)</b>	<b>(2,030,802)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issuing shares (net of fees: £60,850 (2020: £132,685))		1,436,527	2,895,784	1,436,527	2,895,784
Loans drawn down in the year	26	941,146	-	941,146	-
Repayments of borrowings	26	(610,125)	(245,237)	(538,798)	(156,892)
Repayments of lease liabilities	26	(87,750)	(66,380)	-	-
Increase in restricted cash		(7,082)	(8,811)	(7,082)	(8,811)
<b>Cash flows from financing activities</b>		<b>1,672,716</b>	<b>2,575,356</b>	<b>1,831,793</b>	<b>2,730,081</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(29,805)</b>	<b>182,911</b>	<b>(180,451)</b>	<b>168,878</b>
Exchange rate changes on cash and cash equivalents		(10,305)	6,617	-	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(40,110)</b>	<b>189,528</b>	<b>(180,451)</b>	<b>168,878</b>
Cash and cash equivalents at beginning of year		355,463	165,935	323,026	154,148
<b>Cash and cash equivalents at end of year</b>	11	<b>315,353</b>	<b>355,463</b>	<b>142,575</b>	<b>323,026</b>



# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Accounting Policies

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### 1. Basis of preparation

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. These Consolidated Financial Statements have been prepared under the historical cost convention except as noted below. They are presented in British Pounds Sterling (Pounds) which is also the functional currency of the Company.

BlueRock Diamonds Plc is incorporated in England and Wales with Company number 08248437 with registered office, 4th Floor, Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS.

The preparation of financial statements in conformity with UK adopted IAS and Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in note 3.

### Going concern

The Group and parent Company have prepared forecasts covering the period to 31 December 2023. Appropriate diligence has been applied by the Directors who believe that the forecasts are prepared on a realistic basis using the best available information.

As announced on 1 June 2022, the impact of the unusually high rainfall in the first five months of 2022 has resulted in a significant reduction in production compared to our forecasts, resulting in a severe impact on the Group's cash resources, leaving the Group and parent Company requiring additional funding in the immediate future, whilst it completes its mining development.

Discussions are ongoing with an existing shareholder for BlueRock to issue a new Loan Note ("LN") for £1.6m as well as the provision of debt funding facility to Kareevlei for up to ZAR30m to be drawn as and when required. The forecasts indicate that the combination of the LN and debt funding facility will be sufficient to meet the Group's cash requirements over the going concern period, however, until the LN has been issued and the debt funding facility finalised, there remains an uncertainty that this financing will be available.

After review of the uncertainty, the Directors have a reasonable expectation, based on discussions and correspondence with the existing shareholder, that the additional funding will be received and the Group and parent Company will then have adequate resources to continue in operational existence for the foreseeable future, based on its assessment of the forecasts, principal risks and uncertainties and mitigating actions considered available to the Group and parent Company in the event of downside scenarios. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

However, at the date of approval of these financial statements, uncertainties relating to completing the issue of the funding arrangements indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group and parent Company were unable to continue as a going concern.

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Accounting Policies

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### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Consolidation

##### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### Disposal of subsidiaries

When the Group ceases to have control of a subsidiary any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2 Foreign currency

##### Functional and presentation currencies

The consolidated and separate financial statements have been presented in British Pound Sterling (Pounds), which is also the functional currency of the Company. The functional currency of the South African subsidiaries is the South African Rand.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### **Group companies**

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

## **2.3 Property, plant and equipment**

### **Recognition**

Property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

### **Initial measurement**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

### **Subsequent measurement - Cost model**

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

### **Subsequent expenditure**

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

### **Stripping costs**

Costs associated with removal of waste overburden are classified as stripping costs.

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Accounting Policies

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### *Summary of significant accounting policies continued...*

Stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if:

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

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

The expected average stripping ratio over the average life of the area being mined is used to amortise the stripping activity. As a result, the stripping activity asset is carried at cost less amortisation and any impairment losses.

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

### **Depreciation**

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless the asset enhances another asset under construction whereby it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

# BlueRock Diamonds Plc

(Registration Number 08248437)

Annual Report and Financial Statements for the year ended 31 December 2021

## Accounting Policies

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### *Summary of significant accounting policies continued...*

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

<b>Asset class</b>	<b>Measurement base</b>	<b>Method</b>
Mine infrastructure	Cost	Units of production
Leasehold improvements	Cost	Term of lease
Plant and Machinery	Cost	3-10 years straight line basis
Motor vehicles	Cost	5 years straight line basis

### **Units of production method**

When a units-of-production basis is used, applicable to deferred stripping, mining rehabilitation assets and mining rights, the relevant assets are depreciated at a rate determined as the tonnes of ore mined (typically production facility assets) from the relevant orebody section, divided by the Group's estimate of ore tonnes held in Diamond Reserves and Resources which have sufficient geological and geophysical certainty and are economically viable. The relevant Diamond Reserves and Resources are matched to the existing assets which will be utilised for their extraction. The assets depreciated in the units-of-production method are existing assets. Future capital expenditure is only subject to depreciation over remaining resources once incurred. The Group depreciates its assets according to the relevant sections of the orebody over which they will be utilised.

### **Impairments**

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. This includes mining assets, property, plant and equipment. A review involves determining whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs of disposal and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken on a cash generating unit basis.

If the carrying amount of an asset exceeds its recoverable amount an asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use) if that is less than the asset's carrying amount. Any change in carrying value is recognised in the statement of comprehensive income.

### **Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Gains are classified as other gains on the face of the consolidated statement of profit or loss and other comprehensive income.

## **2.4 Mining rights**

Mining rights are recognised at cost, including any directly attributable transaction costs. The amortisation charge for each period is recognised on a 'units of production' method.

## **2.5 Mining rehabilitation asset**

The estimated cost of environmental rehabilitation is based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment.

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*Summary of significant accounting policies continued...*

### 2.6 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVPL") depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL or FVTOCI, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The Group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

#### Other receivables

Other receivables are accounted for at amortised cost and are stated at their nominal value as reduced by appropriate expected credit loss allowances.

#### Trade and other receivables

Trade receivables are initially recorded at fair value and subsequently carried at amortised cost. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate expected credit loss allowances for estimated recoverable amounts as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. Restricted cash represents amounts held in escrow with the Group's attorneys to meet any payments under the claims by a former director.

#### Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently carried at amortised cost.

#### Borrowings excluding convertible loans

Borrowings are included as financial liabilities on the Group balance sheet at the amounts drawn on the particular facilities net of the unamortised cost of financing. Interest payable on those facilities is expensed as finance cost in the period to which it relates.

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## Accounting Policies

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### *Summary of significant accounting policies continued...*

#### **Derivatives**

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

#### **Convertible loan notes**

The convertible loan notes are accounted for under the guidance of IAS 32, Financial Instruments: Presentation. These can either be treated as compound instruments or stand-alone instruments with an embedded derivative relating to the conversion feature. When the instrument is treated as a compound instrument the fair value of the liability portion of the convertible loan notes is determined using a market interest rate on an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. When the instrument meets the "fixed-for-fixed" test i.e. when the number of conversion shares are determined at the issue date, the remainder of the proceeds are allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects and is not subsequently re-measured. In cases where the criteria for compound instrument are not met, the host debt contract is valued initially at fair value and the embedded derivative is separately carried at fair value through profit and loss.

A substantial modification of the terms of an existing financial liability or a part of it, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss. A substantial modification exists if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

## **2.7 Exploration and evaluation assets**

During the exploration phase of operations, all costs are expensed in the consolidated statement of comprehensive income as incurred.

A subsequent decision to develop a mine property within an area of interest is based on the exploration results, an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project are capitalised and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations over the relevant life of mine on a units of production basis. Expenditure is only capitalised provided it meets the following recognition requirements:

- completion of the project is technically feasible and the Group has the ability to and intends to complete it;
- the project is expected to generate future economic benefits;
- there are adequate technical, financial and other resources to complete the project; and
- the expenditure attributable to the development can be measured reliably.

No depreciation is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are capitalised as incurred.

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*Summary of significant accounting policies continued...*

### 2.8 Inventories

#### Recognition

Inventories are recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the inventories can be measured reliably.

#### Measurement

Inventories, which include rough diamonds, are measured at the lower of cost of production or net realisable value using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Net realisable value also incorporates costs of processing in the case of the ore stock piles. Changes in net realisable value are recognised in the income statement.

The cost of production includes direct labour, other direct costs and related production overheads. Consumables are stated at the lower of cost on the weighted average basis or estimated replacement value. Work in progress are stated at raw material cost including allocated labour and overhead costs.

### 2.9 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. The amount already paid in respect of current and prior periods which exceeds the amount due for those periods, is recognised as an asset.

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.



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### *Summary of significant accounting policies continued...*

#### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets are made to reflect the tax consequences that would follow from the manner in which it is expected, at the end of the reporting period, recovery or settlement if temporary differences will occur.

Deferred tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same entity within the Group or different taxable entities within the Group which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Royalties**

Royalties incurred by the Group comprise mineral extraction costs based on a percentage of sales paid to the local revenue authorities. These obligations arising from royalty arrangements are recognised as current payables and are, therefore, recognised as royalty and selling costs in the statement of profit or loss.

Royalties and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income – rather than based on quantity produced or as a percentage of revenue. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. The royalties incurred by the Group are considered not to meet the criteria to be treated as part of income tax and are, therefore, recognised in royalty and selling costs in the statement of profit or loss.

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*Summary of significant accounting policies continued...*

### 2.10 Leases

#### Identification of a lease

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still or now contains a lease.

The practical expedient allowed by IFRS16 is elected, and therefore the non-lease components are not separated from the lease components. Each lease component and any associated non-lease component is treated as a single lease component.

#### Lease term

The lease term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease or not exercising of options to terminate the lease is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the Group's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

#### Recognition and measurement

At inception, a right-of-use asset and a lease liability is recognised in the statement of financial position.

#### Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The right of use assets are presented separately in the statement of financial position.

The right of use asset is subsequently depreciated using the straight line method from the lease commencement date to the earlier of the useful life of the right of use asset or the end of the lease term. In addition, the Group applies IAS 36 Impairment of Assets to determine whether a right of use asset is impaired and accounts for the identified impairment loss as described in the policy for property, plant and equipment.

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### *Summary of significant accounting policies continued...*

#### **Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, else it is based on the Group's incremental borrowing rate. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if there is reasonably certainty that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

Subsequently, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

#### **Reassessment of lease liability**

Where there are changes in the lease payments, the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. Where the carrying amount of the right of use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the remaining amount of the remeasurement is recognised in profit or loss.

#### **Short-term leases and leases of low-value items**

The Group has elected not to recognise right of use assets and lease liabilities for short term leases and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense in the statement of profit or loss on a straight line basis over the lease term.

#### **Variable lease payments**

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Operating expenses' in the statement of profit or loss as shown in note 19 to the financial statements.

## **2.11 Provisions and contingencies**

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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### *Summary of significant accounting policies continued...*

A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent assets and liabilities are not recognised, but details are disclosed in the notes to the annual financial statements.

### **2.12 Share-based payments**

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

### **2.13 Revenue**

Rough diamond sales are made through a competitive tender process and revenue is recognised when the customer has a legally binding obligation to settle under the terms of the contract when the performance obligations have been satisfied, which is once control of the goods has transferred to the buyer which occurs when the tender closes. Polished diamond sales are recognised once control of the goods has transferred to the buyer which occurs upon delivery to the customer.

Revenue is measured based on consideration specified in the tender award.

Where the Group makes rough diamond sales to customers and retains a vested right in the future sale of a polished diamond, the Group will record such revenue only at the date when the polished diamond is sold (and only its interest therein).

Revenue is shown net of value added tax.

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### *Summary of significant accounting policies continued...*

Interest income is recognised using the effective interest method.

### **2.14 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment.

### **2.15 Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- Other reserves – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling, the recognition of share based payment movements, the non-distributable redemption reserve for cancelled deferred shares charge and the value of the conversion rights relating to convertible notes.
- Retained earnings includes all current and prior period retained profits.

Non-controlling interest represents current and prior period retained profits and other comprehensive income items attributable to the non-controlling shareholder in subsidiaries

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

## **3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **3.1 Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **3.1.1 Ore reserves and associated Life of Mine (LoM)**

There are numerous uncertainties inherent in estimating ore reserves and the associated LoM. Therefore, the Group must make a number of assumptions in making those estimations, including assumptions as to the prices of diamonds, exchange rates, production costs and recovery rates. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of diamonds, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the ore reserves being restated. Where assumptions change the LoM estimates, the associated depreciation rates, residual values, waste stripping and amortisation ratios, lease terms and environmental provisions are reassessed to take into account the revised LoM estimate.

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## Accounting Policies

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*Critical accounting estimates and judgements continued...*

### 3.1.2 Valuation of embedded derivatives

There is an adjustable conversion feature within the convertible loan agreement with M Poole/T Leslie, which effects the conversion price and the number of new ordinary shares issued. IFRS 9 requires a fair value calculation of the embedded derivative at recognition, as it is not closely related to the host contract, and a revaluation to be performed at each year end. The embedded derivative has been fair valued using the Monte Carlo model which requires critical estimates, in particular the Group's future share price volatility. At the year end the fair value of the embedded derivative was £3,198 (2020: £21,718). Further details can be found in note 16.

### 3.1.3 Valuation of "fixed-for-fixed" convertible loan notes

The Group entered into "fixed-for-fixed" convertible loan notes with the Teichmann Group, whereby the number of conversion shares were determined at the issue date. The initial fair value of the liability portion of the bond is determined using a market interest rate for an equivalent non-convertible bond at the issue date, which requires critical estimates, in particular the implicit interest rate. After considering industry and Group specific risk factors, the Group determined 16.5% to be the most appropriate implicit interest rate to value the liability portion. The remainder of the proceeds were allocated to the conversion option and recognised in shareholders' equity (net of income tax) and is not subsequently remeasured. Further details can be found in notes 12.2 and 16.

### 3.1.4 Rehabilitation provision

Estimates and assumptions are made in determining the amount attributable to the rehabilitation provision. These deal with uncertainties such as legal and regulatory framework, timing and future costs. The carrying value of the rehabilitation provision is disclosed in note 14. The Board use an expert to determine the existing disturbance level and associated cost of works and estimates of inflation and risk-free discount rates are based on market data.

### 3.1.5 Impairment of non-current assets

Mining assets and Property, plant and equipment representing the Group's mining assets in South Africa are reviewed for impairment at each reporting date. The impairment test is performed using the approved Life of Mine plan and those future cash flow estimates are discounted using asset specific discount rates and are based on expectations about future operations. The impairment test requires estimates about future production and sales volumes, diamond prices, grades, operating costs and capital expenditures necessary to extract resources in the current medium term mine plan. Production forecasts include further growth from existing production levels, reflecting plant upgrades, steps to improve mining flexibility and investment to open new mining areas. Diamond prices are estimated with reference to recent achieved prices and the Board's assessment of the diamond market outlook.

Changes in such estimates could impact recoverable values of these assets. Details of the carrying value of property, plant and equipment and mining assets can be found in note 5 and 7.

The impairment test using the medium-term forecasts indicated significant headroom as at 31 December 2021 and therefore no impairment is considered to be appropriate. However, such headroom is dependent on the upgraded plant running at full capacity. However, the Directors consider the forecasted production levels to be achievable best estimates. The plant is currently nearing full capacity.

The key assumptions used in the recoverable amount calculations, determined on a value-in-use basis, are listed below:

#### **Valuation basis**

Discounted present value of future cash flows.

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*Critical accounting estimates and judgements continued...*

### **LoM and recoverable value of Diamond Reserves and Resources**

Economically recoverable Diamond Reserves and Resources, carats recoverable and grades achievable are based on management's expectations of the availability of Diamond Reserves and Resources at Kareevlei and technical studies undertaken by third-party specialists. Diamond Reserves remaining after the current LoM plan have not been included in determining the value in use of the operations. The forecast LoM of Kareevlei, based on current estimates, is to 2030 (2020: 2030).

### **Cost and inflation rate**

Operating costs are determined based on management's experience and the use of contractors over a period of time whose costs are fairly reasonably determinable. Mining and processing costs have been based on the agreements with the relevant contractors. Management has applied local inflation rates of 5.0% (2020: 5.0%) for operating costs.

Capital costs in the short-term has been based on management's capital programme after which a fixed percentage of revenue have been applied to determine the capital costs necessary to maintain current levels of operations.

### **Exchange rates**

Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US dollar/South-African Rand (ZAR) exchange rate used, was determined with reference to the average rate for 2021 of ZAR 14.7 (31 December 2020: ZAR 16.5).

### **Diamond prices**

The short-term diamond prices used in the impairment test have been set with reference to recent prices achieved, recent market trends and the Group's short-term forecast. Medium and long-term diamond price escalation reflects the Group's assessment of market supply/demand fundamentals.

### **Discount rate**

A discount rate of 13.8% (2020: 10%) was used. The discount rate was calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Year end.

### **3.1.6 Expected credit loss assessment for receivables due from subsidiaries**

The Directors make judgements to assess the expected credit loss provision on the loan to the Company's subsidiary. This includes assessment of scenarios and the subsidiary's ability to repay its loan under such scenarios considering risks and uncertainties including diamond prices, future production performance, recoverable diamond reserves, environmental legislation and other factors. No credit loss provision was raised. If the assumed factors vary from actual occurrence, this will impact on the amount at which the loan should be carried on the Company Statement of Financial Position. Refer to note 29.3 for further details.

The carrying value of the subsidiary loan is set out in note 10.

### **3.1.7 Capitalised stripping costs**

Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a 'stripping activity asset'. Judgement is required to distinguish between these two activities at Kareevlei. The orebody needs to be identified in its various separately identifiable components. An identifiable component is a specific volume of the orebody that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are based on a combination of information available in the mine plans, specific characteristics of the orebody and the milestones relating to major capital investment decisions. KV1 and KV2 are mined as a combined pit and is therefore judged to be one separable identified component.

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### *Critical accounting estimates and judgements continued...*

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tonnes) of waste to be stripped for an expected volume (tonnes) of ore to be mined for a specific component of the orebody, compared to the current period ratio of actual volume (tonnes) of waste to the volume (tonnes) of ore is considered to determine the most suitable production measure.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the stripping ratio calculation in determining the amortisation of the stripping activity asset.

At the year end the carrying value of the capitalised stripping costs were £844,014 (2020: £nil).

### **3.1.8 Contingent liabilities**

The Group is subject to claims by a former director and companies related to that former director totalling £222,164. Whilst fully disputing the claims, the Group maintains liabilities to the claimants of £170,598 as disclosed in note 15. The Group has placed £206,418 (2020: £214,499) in escrow with its attorneys to meet any payments under the claims. The Group has taken legal advice which advises that the claims are without merit and no provision is made for the additional claim amount. This matter has required the Board to exercise judgment in assessing both the extent to which liabilities should be retained and the decision not to provide for the additional claim amount.

### **3.1.9 Theft**

During January 2022, Management at the Kareevlei Mine identified a theft of concentrate from the new plant. Management have conducted a full investigation and have passed the case onto the South African police force. At the time of the theft the new plant was being commissioned and subsequently, more robust physical security controls have been put in place. Management have considered the impact of the theft on the financial statements and considering all information available, do not consider that the theft has had a material impact on the financial statements.

## **3.2 Critical judgements in applying the entity's accounting policies**

### **3.2.1 Mining Licence**

An application for the renewal of the current Mining Licence has been submitted to the Department of Mineral Resources & Energy in South Africa. As at the date of approval of this report the outcome of this application has not yet been received. In accordance with South African legislation, the Group has the right to continue mining until such time as the application has been processed. The Directors have applied their judgement, and have determined that there is no reason to believe that the approval will not be obtained and have therefore based their assumptions and estimates in the financial statements on the fact that the application will be successful.

### **3.2.2 Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise, or not to exercise, an extension option. Extension options are only included in the lease term for instances where the Group is reasonably certain that it will extend or will not terminate the lease when the lease expires. For all leases, the most relevant factors include:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- When the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the Group is typically certain to terminate.
- Otherwise, the Group considers other factors including historical lease durations, related costs and the possible business disruption as a result of replacement of the leased asset.



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## Accounting Policies

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### *Critical accounting estimates and judgements continued...*

The lease term is reassessed on an ongoing basis, especially when the option to extend becomes exercisable or on occurrence of a significant event or a significant change in circumstances which affects this assessment, and that is within the control of the Group.

Judgment is needed in determining the lease term of surface lease agreements. The lease term of surface lease agreements are based on the approved Life of Mine (LoM) estimate.

### **3.2.3 Determining the incremental borrowing rate to measure lease liabilities**

Interest rate implicit in leases is not available, therefore, the Group uses the relevant incremental borrowing rate (IBR) to measure its lease liabilities. The IBR is estimated to be the interest rate that the Group would pay to borrow:

- over a similar term
- with similar security
- the amount necessary to obtain an asset of a similar value to the right of use asset
- in a similar economic environment

The IBR, therefore, is considered to be the best estimate of the incremental rate and requires management's judgement as there are no observable rates available.

## **4. Changes in accounting policies and disclosures**

### **4.1 Standards and Interpretations effective and adopted in the current year**

The Group adopted certain standards and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2021 and are listed in the table. The adoption of these new accounting pronouncements has not had a significant impact on the consolidated financial statements of the Group nor the accounting policies, methods of computation or presentation applied by the Group. These standards and interpretations are listed below:

#### **Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)**

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

#### **Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

Application of the above standards did not impact these consolidated and separate financial statements.

### **4.2 New standards and interpretations not yet adopted**

The new standards, amendments and improvements that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are listed in the table below. These standards, amendments and improvements have not been early adopted and it is expected that, where applicable, these standards, amendments and improvements will be adopted on each respective effective date. The impact of the adoption of these standards cannot be reasonably assessed at this stage.

# BlueRock Diamonds Plc

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## Accounting Policies

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### *Changes in accounting policies and disclosures continued...*

<b>Amendments and New Standards</b>	<b>Description</b>	<b>Effective date*</b>
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 16	Covid 19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment proceeds before intended use	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending
Improvement IFRS 1	Subsidiary as a first-time adopter	1 January 2022
Improvement IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Improvement IAS 41	Agriculture – Taxation in fair value measurements	1 January 2022

\* Annual periods beginning on or after

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## Notes to the Annual Report and Financial Statements

Figures in £

### 5. Property, plant and equipment

#### 5.1 Balances at year end and movements for the year

	Leasehold improvements	Plant and Machinery	Motor vehicles	Total
<b>Reconciliation for the year ended 31 December 2021 - Group</b>				
<b>Balance at 1 January 2021</b>				
At cost	4,676	3,513,434	35,754	<b>3,553,864</b>
Accumulated depreciation	(467)	(1,197,156)	(11,906)	<b>(1,209,529)</b>
<b>Net book value</b>	<b>4,209</b>	<b>2,316,278</b>	<b>23,848</b>	<b>2,344,335</b>
<b>Movements for the year ended 31 December 2021</b>				
Additions	-	2,669,974	-	<b>2,669,974</b>
Depreciation	(460)	(291,311)	(2,622)	<b>(294,393)</b>
Impairment loss recognised in profit or loss	-	(83,392)	-	<b>(83,392)</b>
Disposals	-	(40,082)	-	<b>(40,082)</b>
Exchange differences - Cost	(326)	(383,734)	(2,489)	<b>(386,549)</b>
Exchange differences - Accumulated depreciation	57	102,027	969	<b>103,053</b>
Property, plant and equipment at end of year	<b>3,480</b>	<b>4,289,760</b>	<b>19,706</b>	<b>4,312,946</b>
<b>Closing balance at 31 December 2021</b>				
At cost	4,350	5,734,675	33,265	<b>5,772,290</b>
Accumulated depreciation	(870)	(1,444,915)	(13,559)	<b>(1,459,344)</b>
<b>Net book value</b>	<b>3,480</b>	<b>4,289,760</b>	<b>19,706</b>	<b>4,312,946</b>
<b>Reconciliation for the year ended 31 December 2020 - Group</b>				
<b>Balance at 1 January 2020</b>				
At cost	5,067	1,809,364	44,700	<b>1,859,131</b>
Accumulated depreciation	-	(1,056,986)	(23,225)	<b>(1,080,211)</b>
<b>Net book value</b>	<b>5,067</b>	<b>752,378</b>	<b>21,475</b>	<b>778,920</b>
<b>Movements for the year ended 31 December 2020</b>				
Additions	-	1,754,985	8,047	<b>1,763,032</b>
Depreciation	(443)	(216,653)	(4,225)	<b>(221,321)</b>
Disposals	-	(439)	-	<b>(439)</b>
Exchange differences - Cost	(391)	(44,067)	(3,734)	<b>(48,192)</b>
Exchange differences - Accumulated depreciation	(24)	70,074	2,285	<b>72,335</b>
Property, plant and equipment at the end of the year	<b>4,209</b>	<b>2,316,278</b>	<b>23,848</b>	<b>2,344,335</b>
<b>Closing balance at 31 December 2020</b>				
At cost	4,676	3,513,434	35,754	<b>3,553,864</b>
Accumulated depreciation	(467)	(1,197,156)	(11,906)	<b>(1,209,529)</b>
<b>Net book value</b>	<b>4,209</b>	<b>2,316,278</b>	<b>23,848</b>	<b>2,344,335</b>

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Figures in £

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*Property, plant and equipment continued...*

### 5.2 Additional disclosures

Assets whose title is restricted and pledged as security	Group 2021	Group 2020	Company 2021	Company 2020
The carrying values of assets pledged as security is as follows:				
Plant and Machinery	18,339	94,103	-	-

Plant and equipment to the value of £18,339 are under security of the loan agreement with Mark Poole. The Group cannot pledge these assets as security for other borrowings or sell them to another entity. In the event of default Mark Poole may acquire the equipment of Kareevlei Mining Proprietary Limited for 1.00 South African Rand, see note 16 for further detail.

### 5.3 Impairments

#### Decommissioned plant and machinery

The impairment loss of £83,392 (2020: Nil) that was recognised against Plant and Machinery relates to the decommissioning of the old plant and machinery. The remaining components of the old plant will be sold of as scrap metal. The Group expects to realise approximately £70,000 from the sale. The book value of the old plant was impaired to reflect the estimated re-sale value.

### 5.4 Plant and Machinery

Plant and Machinery included assets under construction to the value of £4,462,552 (2020: Nil) that were commissioned during the year.

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## Notes to the Annual Report and Financial Statements

Figures in £

### 6. Leases

#### 6.1 Amounts recognised in the statement of financial position - Group

Right-of-use assets	Land and buildings	Motor vehicles	Total
<b>As at 31 December 2021</b>			
Balance at 1 January 2021	490,767	30,028	520,795
Additions	-	67,478	67,478
Decrease through net exchange differences	(30,870)	(5,011)	(35,881)
Depreciation	(61,748)	(12,797)	(74,545)
Effect of modification in lease terms	39,942	-	39,942
<b>At 31 December 2021</b>	<b>438,091</b>	<b>79,698</b>	<b>517,789</b>
<b>Closing balance at end of year</b>			
At cost	591,252	96,851	688,103
Accumulated depreciation	(153,161)	(17,153)	(170,314)
<b>At 31 December 2021</b>	<b>438,091</b>	<b>79,698</b>	<b>517,789</b>
<b>As at 31 December 2020</b>			
Balance at 1 January 2020	425,295	30,086	455,381
Additions	158,681	17,728	176,409
Decrease through net exchange differences	(27,725)	(2,204)	(29,929)
Depreciation	(51,716)	(3,314)	(55,030)
Effect of modification in lease terms	(13,768)	(12,268)	(26,036)
<b>At 31 December 2020</b>	<b>490,767</b>	<b>30,028</b>	<b>520,795</b>
<b>Closing balance at end of year</b>			
At cost	592,565	35,444	628,009
Accumulated depreciation	(101,798)	(5,416)	(107,214)
<b>At 31 December 2020</b>	<b>490,767</b>	<b>30,028</b>	<b>520,795</b>
<b>Lease liabilities</b>			
<b>As at 31 December 2021</b>			
Balance at 1 January 2021	549,264	27,264	576,528
Additions	-	67,478	67,478
Finance costs	48,008	6,378	54,386
Effect of modification in lease terms	39,942	-	39,942
Lease payments	(68,352)	(19,398)	(87,750)
Decrease through net exchange differences	(37,155)	(4,807)	(41,962)
<b>At 31 December 2021</b>	<b>531,707</b>	<b>76,915</b>	<b>608,622</b>
<b>Lease liabilities</b>			
Current	29,867	14,692	44,559
Non-current	501,840	62,223	564,063
<b>At 31 December 2021</b>	<b>531,707</b>	<b>76,915</b>	<b>608,622</b>

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## Notes to the Annual Report and Financial Statements

Figures in £

*Leases continued...*

### As at 31 December 2020

Balance at 1 January 2020	440,785	26,918	467,703
Additions	158,681	17,728	176,409
Finance costs	48,293	3,083	51,376
Effect of modification in lease terms	(14,521)	(10,233)	(24,754)
Lease payments	(58,100)	(8,280)	(66,380)
Decrease through net exchange differences	(25,874)	(1,952)	(27,826)
<b>At 31 December 2020</b>	<b>549,264</b>	<b>27,264</b>	<b>576,528</b>

### Lease liabilities

Current	17,687	7,098	24,785
Non-current	531,577	20,166	551,743
<b>At 31 December 2020</b>	<b>549,264</b>	<b>27,264</b>	<b>576,528</b>

### 6.2 Amounts recognised in the statement of profit or loss - Group

	<b>Group 2021</b>	<b>Group 2020</b>
Depreciation on right-of-use assets	74,545	55,030
Interest expense relating to lease liabilities	54,386	51,376
Short term lease expenses	570,140	395,234

### 6.3 Amounts recognised in the statement of cash flows

	<b>Group 2021</b>	<b>Group 2020</b>
Total cash outflow for leases	87,750	66,380

### 6.4 Other information related to leases

The Group's leases consist mainly of leasing of buildings, land and motor vehicles. With the exception of leases of low value underlying assets and short-term leases, each lease is reflected on the statement of financial position as a right of use asset and a lease liability. Lease payments are fixed. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and the related right of use asset. The Group classifies and depreciates its right of use assets in a consistent manner to its property, plant and equipment.

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## Notes to the Annual Report and Financial Statements

Figures in £

### 7. Mining assets

#### 7.1 Reconciliation of changes in mining assets

	Mining assets	Waste stripping costs	Total
<b>Reconciliation for the year ended 31 December 2021 - Group</b>			
<b>Balance at 1 January 2021</b>			
At cost	697,980	-	697,980
Accumulated amortisation	(137,648)	-	(137,648)
<b>Net book value</b>	<b>560,332</b>	<b>-</b>	<b>560,332</b>
<b>Movements for the year ended 31 December 2021</b>			
	Mining assets	Waste stripping costs	Total
Additions	568,839	923,344	1,492,183
Amortisation	(67,596)	(31,707)	(99,303)
Exchange differences - Cost	(78,974)	(49,316)	(128,290)
Exchange differences - Accumulated amortisation	13,194	1,693	14,887
Mining assets at end of period	<b>995,795</b>	<b>844,014</b>	<b>1,839,809</b>
<b>Closing balance at 31 December 2021</b>			
At cost	1,187,845	874,028	2,061,873
Accumulated amortisation	(192,050)	(30,014)	(222,064)
<b>Net book value</b>	<b>995,795</b>	<b>844,014</b>	<b>1,839,809</b>
<b>Reconciliation for the year ended 31 December 2020 - Group</b>			
	Mining assets	Waste stripping costs	Total
<b>Balance at 1 January 2020</b>			
At cost	518,858	-	518,858
Accumulated amortisation	(112,790)	-	(112,790)
<b>Net book value</b>	<b>406,068</b>	<b>-</b>	<b>406,068</b>
<b>Movements for the year ended 31 December 2020</b>			
	Mining assets	Waste stripping costs	Total
Additions	207,802	-	207,802
Amortisation	(31,821)	-	(31,821)
Exchange differences - Cost	(28,681)	-	(28,681)
Exchange differences - Accumulated amortisation	6,964	-	6,964
Mining assets at end of period	<b>560,332</b>	<b>-</b>	<b>560,332</b>
<b>Closing balance at 31 December 2020</b>			
	Mining assets	Waste stripping costs	Total
At cost	697,980	-	697,980
Accumulated amortisation	(137,648)	-	(137,648)
<b>Net book value</b>	<b>560,332</b>	<b>-</b>	<b>560,332</b>

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## Notes to the Annual Report and Financial Statements

Figures in £

*Mining assets continued...*

### 7.2 Mine infrastructure

Mine infrastructure included assets under construction to the value of £372,731 (2020: Nil) that were commissioned during the year.

### 8. Investments in subsidiaries

#### 8.1 The amounts included on the Company statement of financial position comprise the following:

	Company 2021	Company 2020
Investments in subsidiaries	517,867	5
<b>Investments in subsidiaries</b>	<b>517,867</b>	<b>5</b>

#### 8.2 Investment in subsidiaries

##### 8.2.1 Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and business	Registered address
Kareevlei Mining Proprietary Limited	Diamond Mining	South Africa	Wesselton Village, Off Boshoff Road, Kimberley, South Africa 8301
Diamond Resources Proprietary Limited	Diamond Mining	South Africa	Wesselton Village, Off Boshoff Road, Kimberley, South Africa 8301
BlueRock Management Services Limited	Administration and management	United Kingdom	16 Marlborough Crescent, London, England, W4 1HF

##### 8.2.2 Voting rights:

	Interest 2021	Carrying value 2021	Interest 2020	Carrying value 2020
Kareevlei Mining Proprietary Limited	74.00%	517,867	74.00%	517,867
Diamond Resources Proprietary Limited	100.00%	-	100.00%	-
BlueRock Management Services Limited	100.00%	-	100.00%	-



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## Notes to the Annual Report and Financial Statements

Figures in £

*Investments in subsidiaries continued...*

### 8.2.3 Summary of Group's interest in subsidiaries

	Kareevlei Mining Proprietary Limited	Diamond Resources Proprietary Limited	BlueRock Management Services Limited
<b>At 31 December 2021</b>			
Total assets	8,204,936	-	-
Total liabilities	(16,240,385)	-	-
Retained losses	(8,035,449)	-	-
Revenue	7,838,311	-	-
Loss after tax	(485,795)	-	-
<b>At 31 December 2020</b>			
Total assets	4,367,212	-	-
Total liabilities	(13,066,305)	-	-
Retained losses	(7,349,515)	-	-
Revenue	3,601,819	-	-
Loss after tax	(2,308,752)	-	-

### 8.2.4 Details of minority

BlueRock's subsidiary, Kareevlei Mining Proprietary Limited, is 26 per cent owned by Ghaap Mining Proprietary Limited, a Kimberley based company. Ghaap Mining Proprietary Limited is a South African private company wholly owned by Mr. William Alexander van Wyk who, in terms of South African legislation is considered to qualify as an Historically Disadvantaged South African ("HDSAs").

## 9. Inventories

Inventories comprise:	Group 2021	Group 2020	Company 2021	Company 2020
Consumable stores	20,912	13,820	-	-
Work in progress	435,722	137,735	-	-
Diamonds on hand	346,201	306,753	-	-
	<b>802,835</b>	<b>458,308</b>	-	-

Inventory is carried at the lower of cost or net realisable value. During the year no write-downs to net realisable value were recorded.

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## Notes to the Annual Report and Financial Statements

Figures in £

### 10. Trade and other receivables

#### 10.1 Trade and other receivables comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
<b>Current</b>				
Trade receivables	4,835	-	3,254	-
Other receivables	27,462	122,139	3,253	122,139
Prepaid expenses	17,894	9,032	9,520	2,509
Value added tax	43,455	30,992	11,433	11,542
<b>Total current receivables</b>	<b>93,646</b>	<b>162,163</b>	<b>27,460</b>	<b>136,190</b>
<b>Non-Current</b>				
Other receivables (i)	492,596	425,319	654,874	575,674
Amounts due by subsidiary (ii)	-	-	11,492,128	9,784,358
<b>Total non-current receivables</b>	<b>492,596</b>	<b>425,319</b>	<b>12,147,002</b>	<b>10,360,032</b>

The carrying value of all trade and other receivables including the loan to a group company is considered a reasonable approximation of fair value.

Refer to note 29.3 for the Group's expected credit loss provision assessment for receivables.

Company:

(i) Non-current other receivables represent management fees receivable from Kareevlei Mining Proprietary Limited.

(ii) The amounts due by subsidiary is a loan to Kareevlei Mining Proprietary Limited that bears interest at the Nedbank Limited prime variable overdraft rate or unsecured loans to corporate customers.

Group:

(i) Other non-current receivables represent amounts held by financial institutions and the Department of Minerals and Energy as guarantees in respect of environmental rehabilitation obligations in respect of the Group's South African mines.

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## Notes to the Annual Report and Financial Statements

Figures in £

### Trade and other receivables continued...

<b>10.2 Items included in trade and other receivables not classified as financial instruments</b>	<b>Group 2021</b>	<b>Group 2020</b>	<b>Company 2021</b>	<b>Company 2020</b>
Prepaid expenses	17,894	9,032	9,520	2,509
Value added tax	43,455	30,992	11,433	11,542
Total non-financial instruments included in trade and other receivables	61,349	40,024	20,953	14,051
Total trade and other receivables excluding non-financial assets included in trade and other receivables	524,893	547,458	12,153,509	10,482,171
<b>Total trade and other receivables</b>	<b>586,242</b>	<b>587,482</b>	<b>12,174,462</b>	<b>10,496,222</b>

<b>10.3 Analysis of trade receivables</b>				
More than 120 days	4,835	-	3,254	-
	<b>4,835</b>	<b>-</b>	<b>3,254</b>	<b>-</b>

### 11. Cash and cash equivalents (including restricted cash)

<b>11.1 Cash and cash equivalents comprise:</b>	<b>Group 2021</b>	<b>Group 2020</b>	<b>Company 2021</b>	<b>Company 2020</b>
<b>Cash</b>				
Cash on hand	103	136	-	-
Balances with banks	521,668	569,826	348,993	537,525
<b>Total cash</b>	<b>521,771</b>	<b>569,962</b>	<b>348,993</b>	<b>537,525</b>
<b>Total cash and cash equivalents included in current assets</b>	<b>521,771</b>	<b>569,962</b>	<b>348,993</b>	<b>537,525</b>

Cash and cash equivalents in the Consolidated Statement of Cash flows excludes restricted cash of £206,418 (2020: £214,499).

### 11.2 Cash and cash equivalents where availability is restricted

Bank balances to the value of £206,418 (2020: £214,499) are not available for use as it is held in trust with the Group's attorneys. This account is held as security for the claims submitted by a former director of the Group and may only be utilised against this claim, should it be successful. Refer to note 25 for further details.

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### 12. Share capital

#### 12.1 Authorised and issued share capital

	Group 2021	Group 2020	Company 2021	Company 2020
<b>Issued</b>				
14,121,002 (2020: 9,086,657) Ordinary shares of 5p (2020: 5p) each	706,050	454,333	706,050	454,333
Share premium	8,656,201	6,885,796	8,656,201	6,885,796
	<b>9,362,251</b>	<b>7,340,129</b>	<b>9,362,251</b>	<b>7,340,129</b>

#### Share reconciliation

Details of issue	Date	Number of ordinary shares	Share capital £	Share premium £
Opening balance	01/01/2021	9,086,657	454,333	6,885,796
Placing and equity issue	03/03/2021	3,750,000	187,500	1,312,500
Placing and equity issue expenses	03/03/2021	-	-	(60,850)
Issue of shares as repayment of loan facility	06/04/2021	61,013	3,050	23,306
Issue of shares as repayment of payables	21/05/2021	1,223,332	61,167	495,449
Shares outstanding - closing		<b>14,121,002</b>	<b>706,050</b>	<b>8,656,201</b>

#### Details of warrants issued

##### Issued during 2021

There were no new warrants issued during 2021. 2,357,333 warrants with an average price of 150p lapsed during the period.

All warrants have now lapsed and there were no more outstanding as at the reporting date.

##### Issued during 2020

There were no new warrants issued during 2020. 69,067 warrants with an average price of 1,500p lapsed during the period.

#### 12.2 Other equity

Value of conversion rights - convertible notes	94,680	-	94,680	-
	<b>94,680</b>	<b>-</b>	<b>94,680</b>	<b>-</b>

The amount shown for the value of the conversion rights relate to the 14.5% convertible notes issued during the period, details of which are shown in note 16.

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### 13. Other Reserves

#### 13.1 Analysis of other reserves

	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
<b>Group</b>				
<b>Movement:</b>				
Balance 1 January 2021	2,003,010	311,951	1,078,193	3,393,154
Other comprehensive expense	-	631,576	-	631,576
Non-controlling interests	-	(164,210)	-	(164,210)
Share-based payments	-	-	89,558	89,558
Transfer lapsed options to accumulated loss	-	-	(663,899)	(663,899)
<b>Balance 31 December 2021</b>	<b>2,003,010</b>	<b>779,317</b>	<b>503,852</b>	<b>3,286,179</b>
<b>Movement:</b>				
Balance 1 January 2020	2,003,010	17,723	1,097,751	3,118,484
Other comprehensive expense	-	397,605	-	397,605
Non-controlling interests	-	(103,377)	-	(103,377)
Share-based payments	-	-	266,127	266,127
Transfer lapsed options to accumulated loss	-	-	(285,685)	(285,685)
<b>Balance 31 December 2020</b>	<b>2,003,010</b>	<b>311,951</b>	<b>1,078,193</b>	<b>3,393,154</b>
<b>Company</b>				
<b>Movement:</b>				
Balance 1 January 2021	2,003,010	-	1,078,193	3,081,203
Share-based payments	-	-	89,558	89,558
Transfer lapsed options to accumulated loss	-	-	(663,899)	(663,899)
<b>Balance 31 December 2021</b>	<b>2,003,010</b>	<b>-</b>	<b>503,852</b>	<b>2,506,862</b>
<b>Movement:</b>				
Balance 1 January 2020	2,003,010	-	1,097,751	3,100,761
Share-based payments	-	-	266,127	266,127
Transfer lapsed options to accumulated loss	-	-	(285,685)	(285,685)
<b>Balance 31 December 2020</b>	<b>2,003,010</b>	<b>-</b>	<b>1,078,193</b>	<b>3,081,203</b>

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*Other Reserves continued...*

### 13.2 Nature and purpose of reserves

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign entities. The South African subsidiaries' functional currencies are different to the Group's functional currency of British Pound Sterling. The rates used to convert the operating functional currency into British Pound Sterling are as follows:

	Currency	2021	2020
Average rate	ZAR to GBP	21.48	21.07
Year end	ZAR to GBP	20.33	19.98

#### Share-based payment reserve

For details on the share-based payment equity reserve, refer to note 23.

#### Capital redemption reserve

During 2018 the nominal value of ordinary shares was split into 0.01p nominal share capital and 0.99p deferred shares. These were in turn purchased by the Company using the proceeds from the issue of one additional ordinary share and immediately cancelled. As such these are held within the capital redemption reserve.

### 14. Provisions

#### 14.1 Provisions comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
Rehabilitation cost provision	544,692	454,197	-	-

#### 14.2 Reconciliation of provisions

	Provision for rehabilitation
<b>Balance at 1 January 2021 - Group</b>	<b>454,197</b>
Change in estimate	96,735
Unwinding of discount rate	32,272
Exchange differences	(38,512)
Total changes	90,495
<b>Balance at 31 December 2021</b>	<b>544,692</b>
<b>Balance at 1 January 2020 - Group</b>	<b>302,989</b>
Change in estimate	137,779
Unwinding of discount rate	27,761
Exchange differences	(14,332)
Total changes	151,208
<b>Balance as at 31 December 2020</b>	<b>454,197</b>

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*Provisions continued...*

### 14.3 Details of provisions

#### Provision for rehabilitation

The provision for environmental rehabilitation closure cost was independently assessed by RS Mellett of OMI Solutions (Pty) Ltd. The closure cost assessment reports over the Remainder of the Farm No. 113 (Skietfontein), Portion of Portion 2 (Kareeboompan) of the Farm 142, Portion 1 (Westhoek) of the Farm 113, and Portion 2 (Klipvlei) of the Farm 113. The financial provision was calculated in accordance with Regulation 54 of the Minerals and Petroleum Resources Development Act 2002 (Act 28 of 2002) during March 2022.

In determining the amounts attributable to the rehabilitation provision at the Kareelwei mining area, management used a discount rate of 7.25% (31 December 2020: 7%), estimated rehabilitation timing of 9 years (31 December 2020: 10 years) and an inflation rate of 4.63% (31 December 2020: 4.37%).

#### **Sensitivity**

A 1% decrease in the discount rate applied at 31 December 2021 would result in an increase to the closure and rehabilitation provision of approximately £51,000, an increase in mining assets of approximately £51,000 in relation to the operating site, with no effect on the depreciation and finance cost expenses, as the change in estimates are made at year end.

A 1% increase in the inflation rate applied at 31 December 2021 would result in an increase to the closure and rehabilitation provision of approximately £50,000, an increase in mining assets of approximately £50,000 in relation to the operating site, with no effect on the depreciation and finance cost expenses, as the change in estimates are made at year end.

Given the long-lived nature of the Group's assets, closure activities are generally not expected to occur for a significant period of time. A one-year reduction in the Group's forecasted LOM, in isolation, would result in an increase to the provision of approximately £14,000, an increase in mining assets of £14,000 in relation to the operating site, with no effect on the depreciation and finance cost expenses, as the change in estimates are made at year end.

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### 15. Trade and other payables

#### 15.1 Trade and other payables comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
Trade payables	2,568,336	1,068,671	226,935	45,643
Accrued liabilities	151,076	147,116	66,500	66,183
Account due to former Director	20,260	21,776	-	-
<b>Total trade and other payables</b>	<b>2,739,672</b>	<b>1,237,563</b>	<b>293,435</b>	<b>111,826</b>

An amount of £150,339 (2020: £161,588) is included within trade payables which are subject to amounts claimed as being due to companies related to the former Director of the Company. These amounts are historic and disputed in full by the Company based on legal advice received. The account due to a former Director totalling £20,260 (2020: £21,776) relates to amounts claimed but disputed in full by the Company.

#### 15.2 Items included in trade and other payables not classified as financial liabilities

Total trade and other payables excluding non-financial liabilities included in trade and other payables

2,739,672	1,237,563	293,435	111,826
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### 16. Borrowings

#### 16.1 Carrying amount of borrowings by category

	Designated at fair value	At amortised cost	Total
<b>Year ended 31 December 2021 - Group</b>			
Convertible loans (i)	-	1,414,845	<b>1,414,845</b>
Loan facilities (ii)	-	532,904	<b>532,904</b>
Embedded derivative (i)	3,198	-	<b>3,198</b>
<b>Components listed under borrowings on the consolidated and company statements of financial position</b>	<b>3,198</b>	<b>1,947,749</b>	<b>1,950,947</b>
Trade and other payables excluding non-financial liabilities (Note 15)	-	2,739,672	<b>2,739,672</b>
<b>Components listed separately on the consolidated and company statements of financial position</b>	<b>-</b>	<b>2,739,672</b>	<b>2,739,672</b>
	<b>3,198</b>	<b>4,687,421</b>	<b>4,690,619</b>
<b>Borrowings comprise the following on the consolidated and company statements of financial position:</b>			
Current portion	3,198	614,404	<b>617,602</b>
Non-current portion	-	1,333,345	<b>1,333,345</b>
	<b>3,198</b>	<b>1,947,749</b>	<b>1,950,947</b>
<b>Year ended 31 December 2020 - Group</b>			
Convertible loans (i)	-	815,539	<b>815,539</b>
Loan facilities (ii)	-	687,249	<b>687,249</b>
Embedded derivative (i)	21,718	-	<b>21,718</b>
<b>Components listed under borrowings on the consolidated and company statements of financial position</b>	<b>21,718</b>	<b>1,502,788</b>	<b>1,524,506</b>
Trade and other payables excluding non-financial liabilities (Note 15)	-	1,237,563	<b>1,237,563</b>
<b>Components listed separately on the consolidated and company statements of financial position</b>	<b>-</b>	<b>1,237,563</b>	<b>1,237,563</b>
	<b>21,718</b>	<b>2,740,351</b>	<b>2,762,069</b>
<b>Borrowings comprise the following on the consolidated and company statements of financial position:</b>			
	<b>Designated at fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Current portion	6,244	689,962	<b>696,206</b>
Non-current portion	15,474	812,826	<b>828,300</b>
	<b>21,718</b>	<b>1,502,788</b>	<b>1,524,506</b>

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### *Borrowings continued...*

	Designated at fair value	At amortised cost	Total
<b>Year ended 31 December 2021 - Company</b>			
Convertible loans (i)	-	1,414,845	<b>1,414,845</b>
Loan facilities (ii)	-	39,070	<b>39,070</b>
Embedded derivative (i)	3,198	-	<b>3,198</b>
<b>Components listed under borrowings on the consolidated and company statements of financial position</b>	<b>3,198</b>	<b>1,453,915</b>	<b>1,457,113</b>
Trade and other payables excluding non-financial liabilities (Note 15)			
	-	293,434	<b>293,434</b>
<b>Components listed separately on the consolidated and company statements of financial position</b>	<b>-</b>	<b>293,434</b>	<b>293,434</b>
	<b>3,198</b>	<b>1,747,349</b>	<b>1,750,547</b>
<b>Borrowings comprise the following on the consolidated and company statements of financial position:</b>			
Current portion	3,198	466,257	<b>469,455</b>
Non-current portion	-	987,658	<b>987,658</b>
	<b>3,198</b>	<b>1,453,915</b>	<b>1,457,113</b>

### **Year ended 31 December 2020 - Company**

	Designated at fair value	At amortised cost	Total
Convertible loans (i)	-	815,539	<b>815,539</b>
Loans facilities (ii)	-	137,154	<b>137,154</b>
Embedded derivative (i)	21,718	-	<b>21,718</b>
<b>Components listed under borrowings on the consolidated and company statements of financial position</b>	<b>21,718</b>	<b>952,693</b>	<b>974,411</b>
Trade and other payables excluding non-financial liabilities (Note 15)			
	-	111,826	<b>111,826</b>
<b>Components listed separately on the consolidated and company statements of financial position</b>	<b>-</b>	<b>111,826</b>	<b>111,826</b>
	<b>21,718</b>	<b>1,064,519</b>	<b>1,086,237</b>
<b>Borrowings comprise the following on the consolidated and company statements of financial position:</b>			
Current portion	6,244	502,566	<b>508,810</b>
Non-current portion	15,474	450,127	<b>465,601</b>
	<b>21,718</b>	<b>952,693</b>	<b>974,411</b>

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Figures in £

### *Borrowings continued...*

#### 16.2 i) Convertible loans and embedded derivative

The movement on each convertible loan liability component can be summarised as follows:

	Embedded derivative	Convertible loans - T Leslie and M Poole	14.5% Convertible loans - Teichmann Group	Total
<b>Balance 1 January 2020</b>	10,359	776,704	-	<b>787,063</b>
Finance charge: unwinding of discount factor	-	38,835	-	<b>38,835</b>
Fair value adjustment to embedded derivative	11,359	-	-	<b>11,359</b>
<b>Balance 31 December 2020</b>	<b>21,718</b>	<b>815,539</b>	-	<b>837,257</b>
Drawdown	-	-	941,146	<b>941,146</b>
Other equity - value of conversion rights	-	-	(94,680)	<b>(94,680)</b>
Repayments	-	(462,500)	-	<b>(462,500)</b>
Finance charge: unwinding of discount factor	-	74,148	141,192	<b>215,340</b>
Fair value adjustment to embedded derivative	(18,520)	-	-	<b>(18,520)</b>
<b>Balance 31 December 2021</b>	<b>3,198</b>	<b>427,187</b>	<b>987,658</b>	<b>1,418,043</b>

#### **Convertible loans - T Leslie and M Poole**

At 31 December 2021 the Group had in issue convertible loan stocks of £925,000 which had an initial term until 16 October 2021. On 27 February 2020, the Company announced that 50% of the total loan had been transferred to Mr Tim Leslie, a non-executive Director of BlueRock Diamonds Plc. The Group had an option, at their own discretion, to increase the initial term by a further 12 months. This option was exercised during the current period and the balance of the loan note is now payable on 16 October 2022.

The terms of the convertible loan note provide a mechanism for weighted conversion price revisions should additional funds be raised below the prevailing conversion price. Following the fund raising in March 2022, the current conversion price is 72p.

This option to convert the loan into shares has been treated as a separate financial instrument, as an embedded derivative. This is due to a clause in the updated convertible loan note agreement which will require the Company to issue a variable number of shares if future fundraising over life of the convertible loan note raises additional funds at a price per Ordinary share of less than 5p. This requires a separate valuation as it does not relate to the host contract.

In addition if the Company sells its interest in Kareevlei Mining Proprietary Limited ("subsidiary") before the final repayment date for consideration equivalent to or greater than 120% of the loan note outstanding then the notes will become redeemable and a 20% premium will be payable to the note holder.

Management have carried out an assessment of the terms of the convertible loan and have judged that the instrument consists of two components:

- a loan instrument; held at amortised cost
- an embedded derivative representing the conversion option as the option fails the fixed for fixed criteria and the embedded redemption feature. The embedded derivative should be recognised separately as a derivative financial instrument at fair value through profit and loss

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### *Borrowings continued...*

A fair value exercise to determine the value of the two components was undertaken by the Directors at the date the convertible loan was initially drawn down. The fair value of the host loan instrument (including the embedded redemption feature) has been valued as the residual of:

- The fair value of the first draw down on 16 October 2014 was discounted at a commercially applicable rate of 9.25%. The fair values of the draw downs on 27 May 2016 and 2 October 2016 have been discounted at a commercially applicable rate of 10.5%.

Refer to note 31 for details of the fair value of the embedded derivative.

### **14.5% Convertible loans - Teichmann Group**

On 20 September 2021, the Group entered into an agreement to issue a total of 161 14.5% convertible notes for £1,610,000 to the Teichmann Group. £941,147 was received during the year, with the balance being received after year end. The loan notes are convertible into ordinary shares of the entity, at 1) the election of the holder, 2) election of the entity if and when its shares trade in excess of £0.60 per share, 3) on the automatic conversion dates as stipulated in the agreement or 4) on 30 November 2024, the maturity date. The loan notes are convertible into 6,465,247 ordinary shares. Interest are payable on the maturity date.

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds are allocated to the conversion option and recognised in shareholders' equity (net of income tax), due to the fact that it meets the "fixed for fixed" test as the number of conversion shares are determined at the issue date. It is not subsequently remeasured. Details are shown in note 12.2.

### **ii) Loan facilities**

Loan facilities comprise the following:

	<b>Group 2021</b>	<b>Group 2020</b>	<b>Company 2021</b>	<b>Company 2020</b>
Loan: M Poole	39,070	72,013	39,070	72,013
Loan: A Waugh	-	65,141	-	65,141
Loan: Numovista Pty Ltd	493,834	550,095	-	-
	<b>532,904</b>	<b>687,249</b>	<b>39,070</b>	<b>137,154</b>
Current portion	187,217	301,610	39,070	114,214
Non-current portion	345,687	385,639	-	22,940
	<b>532,904</b>	<b>687,249</b>	<b>39,070</b>	<b>137,154</b>

#### *M Poole*

In 2017 the Company entered into a loan facility agreement with Mark Poole. A 90 day interest free period was included in the agreement from the date of the first draw down. After this point interest accrues on the capital balance at a rate of 10% per annum, which is payable quarterly in arrears. All capital to be repaid within 5 years from the date of the draw down on the facility.

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### *Borrowings continued...*

Additionally a security over the property, plant and equipment of Kareevlei Mining (Pty) Limited is held, see note 5 for further detail.

During the period ended 31 December 2021 an interest charge of £5,150 (2020: £9,716) was recognised on the total capital drawn down. Outstanding at the period ended 31 December 2021 was £33,566 capital and £5,504 interest.

### *Numovista Pty Ltd*

During March 2020 Kareevlei Mining (Pty) Ltd entered into a sale of assets agreement with Numovista Pty Ltd whereby mining equipment was purchased from Numovista (Pty) Ltd. Ownership of the equipment transferred with the payment of the initial deposit. The balance of the loan is repayable in 36 monthly instalments of £18,395. The effective interest rate is 9.75%.

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*Borrowings continued...*

### 16.3 Financial liability maturity analysis

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Between 3 months and 1 year</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Year ended 31 December 2021 - Group</b>				
Trade and other payables excluding non-financial liabilities (Note 15)	2,739,672	-	-	<b>2,739,672</b>
Convertible loans	462,500	987,658	-	<b>1,450,158</b>
Loan facilities	228,861	351,198	-	<b>580,059</b>
Embedded derivative	3,198	-	-	<b>3,198</b>
Lease liabilities	89,122	348,702	338,136	<b>775,960</b>
	<b>3,523,353</b>	<b>1,687,558</b>	<b>338,136</b>	<b>5,549,047</b>
<b>Year ended 31 December 2020 - Group</b>				
Trade and other payables excluding non-financial liabilities (Note 15)	1,237,563	-	-	<b>1,237,563</b>
Convertible loan	388,352	427,187	-	<b>815,539</b>
Loan facilities	301,610	385,639	-	<b>687,249</b>
Embedded Derivative	6,244	15,474	-	<b>21,718</b>
Lease liabilities	24,785	179,889	371,854	<b>576,528</b>
	<b>1,958,554</b>	<b>1,008,189</b>	<b>371,854</b>	<b>3,338,597</b>
<b>Year ended 31 December 2021 - Company</b>				
Trade and other payables excluding non-financial liabilities (Note 15)	293,435	-	-	<b>293,435</b>
Convertible loans	462,500	987,658	-	<b>1,450,158</b>
Loan facilities	39,070	-	-	<b>39,070</b>
Embedded Derivative	3,198	-	-	<b>3,198</b>
	<b>798,203</b>	<b>987,658</b>	-	<b>1,785,861</b>
<b>Year ended 31 December 2020 - Company</b>				
Trade and other payables excluding non-financial liabilities (Note 15)	111,826	-	-	<b>111,826</b>
Convertible loan	388,352	427,187	-	<b>815,539</b>
Loan facilities	114,214	22,940	-	<b>137,154</b>
Embedded Derivative	6,244	15,474	-	<b>21,718</b>
	<b>620,636</b>	<b>465,601</b>	-	<b>1,086,237</b>

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### 17. Revenue from contracts with customers

#### 17.1 Revenue comprises:

	<b>Group 2021</b>	<b>Group 2020</b>
Sale of diamonds	7,846,588	3,601,819

The revenue from the sale of rough diamonds is recognised at the point in time at which control transfers. Control of the rough diamonds are transferred to the buyer when the tender closes.

#### 17.2 Segmental reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group's operations relate to the exploration for, and development of mineral deposits in the Kimberley region of South Africa and as such the Group has only one reportable segment. The non-current assets in the Kimberley region are £7,163,138 (2020: £3,850,781). The majority of revenue consists of sales of diamonds in South Africa through auctions as is customary in the industry. The Group sells its diamonds through auctions run by CS Diamonds. During the year, the Company sold polished diamonds to the value of £8,277 (2020: £nil), to buyers in the UK.

### 18. Other gains and losses

#### Other gains and losses comprise:

	<b>Group 2021</b>	<b>Group 2020</b>
Gain or loss on disposal of assets	16,488	853
<b>Other gains - operating activities</b>	<b>16,488</b>	<b>853</b>
Gain or loss on foreign exchange differences	(929,714)	(481,779)
Fair value (loss)/gains on derivatives	18,520	(11,359)
<b>Other losses - non-operating activities</b>	<b>(911,194)</b>	<b>(493,138)</b>
<b>Total other gains and losses</b>	<b>(894,706)</b>	<b>(492,285)</b>

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### 19. Loss from operating activities

Loss from operating activities includes the following separately disclosable items	Group 2021	Group 2020		
<b>Operating expenses</b>				
Operational and direct costs (excluding direct labour costs)	5,900,547	3,049,884		
Property plant and equipment				
- depreciation	294,393	221,321		
- impairment loss	83,392	-		
Right-of-use assets				
- depreciation	74,545	55,030		
Mining assets				
- amortisation	99,303	31,821		
Inventory on hand				
- Diamond stock movement	(64,234)	170,535		
- Stockpiles and consumables movement	(333,439)	127,593		
Share-based payments				
- Equity-settled share-based payments	89,557	266,129		
Staff costs	1,689,326	1,107,426		
<b>Auditor's remuneration</b>				
Audit fees - audit of financial statements	58,500	60,400		
Audit fees - audit of accounts of subsidiary of Company	17,931	32,386		
	<u>76,431</u>	<u>92,786</u>		
<b>Staff numbers and costs</b>	<b>Group 2021</b>	<b>Group 2020</b>	<b>Company 2021</b>	<b>Company 2020</b>
Directors' remuneration	346,458	278,855	220,375	165,233
Staff salaries	1,342,868	828,571	25,333	20,440
	<u>1,689,326</u>	<u>1,107,426</u>	<u>245,708</u>	<u>185,673</u>

Refer to note 27.3 for further details of directors' remuneration and key management personnel's remuneration.

The table above relates to the Directors remuneration, key management personnel and employees of the Group.

	2021 Number	2020 Number
Directors	5	4
Administration and production	102	86
	<u>107</u>	<u>90</u>



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### 20. Finance income

Finance income comprises:	Group 2021	Group 2020
Interest received from financial institutions	31,552	24,209

### 21. Finance costs

Finance costs included in profit or loss:	Group 2021	Group 2020
Finance charges - trade and other payables	5,166	9,424
Finance charges - loan facilities	58,952	64,816
Finance charges - convertible loan notes	215,340	38,835
Finance charges - leases	54,386	51,376
Finance charges - provisions	32,272	27,761
Finance charges - financial institutions	18,172	55,810
<b>Total finance costs</b>	<b>384,288</b>	<b>248,022</b>

### 22. Income tax expense

22.1 Income tax recognised in profit or loss:	Group 2021	Group 2020
<b>Deferred tax</b>		
Originating and reversing temporary differences	-	-
<b>22.2 The income tax for the year can be reconciled to accounting loss as follows:</b>	<b>Group 2021</b>	<b>Group 2020</b>
Loss before tax from operations	(1,348,897)	(2,988,808)
Income tax calculated at 19% (2020: 19%)	(256,290)	(567,874)
Tax effect of		
- Differences in rates (South African tax)	(43,722)	(207,788)
- (Income)/Expenses not deductible for tax purposes	262,799	253,132
Unrecognised tax losses and timing differences	37,213	522,530
Tax charge	-	-

The Group has gross tax losses carried forward of £5,263,235 (2020: £3,329,158) for which no deferred tax asset is recorded given insufficient certainty regarding the timing of future taxable profits.

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### 23. Share-based payments

23.1 The Company had the following share based payment agreements which are described below:

Type of arrangement	Date of grant	Number of shares granted	Contractual life	Exercise price
Directors share option plan - Tranche 5	19/01/2017	4,454	5 years	2,500p
Directors share option plan - Tranche 9	16/05/2019	228,060	5 years	50p
Directors share option plan - Tranche 10	18/02/2020	130,320	5 years	85p
Directors share option plan - Tranche 11	18/02/2020	465,615	5 years	85p

Tranche 5 have fully vested.

Tranche 9 options are split with half vesting 1 year from the date of grant and half vesting immediately on the date of grant. Tranche 9 options have fully vested.

Tranche 10 options vested immediately on the date of grant.

Tranche 11 options are split with half vesting 1 year from the date of grant and half vesting 2 years from the date of grant.

23.2 Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price in pence 2021	Options 2021	Weighted average exercise price in pence 2020	Options 2020
Outstanding at the beginning of the period	132.77	828,450	132.77	234,066
Granted during the period	-	-	85.00	595,935
Expired during the period	-	-	5,500.00	(1,551)
Outstanding at the end of the period	<b>132.77</b>	<b>828,450</b>	<b>132.77</b>	<b>828,450</b>
Exercisable at the end of the period	89.66	595,642	92.65	362,835

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*Share-based payments continued...*

### 23.3 Options granted during the year

Options are valued at the date of grant using the Black-Scholes option pricing model.

No new share options were granted and valued during the year.

The fair value per option of options granted during 2019 and 2020 and the assumptions used in the calculations are shown below:

	2019	2020	
	Tranche 9	Tranche 10	Tranche 11
Average grant date share price (p)	67.50	88.00	88.00
Average exercise price (p)	50.00	85.00	85.00
Share price volatility (p.a)	86 %	83 %	83 %
Risk-free interest rate (p.a)	0.83%	0.48%	0.48%
Dividend yield (p.a)	0 %	0 %	0 %
Average contractual life (years)	5.00	5.00	5.00
Average fair value per option (p)	48.43	57.70	57.70

### 23.4 Share based payment expense

The total share-based payment expense for the year ended 31 December 2021 was £89,558 (2020: £266,127) in relation to share options.

## 24. Earnings per share

### 24.1 Basic earnings per share

	Group 2021	Group 2020
Loss for the year attributable to owners of the Company	<u>(1,222,590)</u>	<u>(2,388,532)</u>
Weighted average number of ordinary shares	<u>12,970,498</u>	<u>6,753,581</u>
Basic loss per share	<u>(0.09)</u>	<u>(0.35)</u>

### 24.2 Additional disclosures

Share options granted to directors and convertible loan notes issued, could potentially dilute earnings per share in the future, but are not included in a dilutive earnings per share calculation, because they are antidilutive for the period.

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### 25. Contingent liabilities

Dispute with former director	Group 2021	Group 2020	Company 2021	Company 2020
Estimated financial effect	51,565	55,424	51,565	55,424

The amount payable to CB Visser and his related companies as disclosed in Note 15, is currently under dispute. CB Visser is a former director and CEO of both Kareevlei Mining (Pty) Ltd and BlueRock Diamonds Plc. who resigned during September 2016. The total claim submitted by him amounts to £222,164 of which £170,598 has been accounted for under trade and other payables. The Group has given security for the amount of £206,418 in respect of the above claim. This security is held in trust by the Group's lawyers. The Group's legal advisors are of the opinion that based on current available information, the claims are without merit.

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26. Cash used in operations	Group 2021	Group 2020	Company 2021	Company 2020
(Loss)/profit before taxation	(1,348,897)	(2,988,808)	(863,101)	(680,058)
<b>Adjustments for non-cash items</b>				
Interest accrued on Group loan	-	-	(769,700)	(615,074)
Interest accrued on convertible loan notes	215,340	38,835	215,340	38,835
Interest accrued on borrowings and leases	111,306	116,193	4,569	19,860
Interest on rehabilitation provision	32,272	27,761	-	-
(Increase) / decrease in inventories	(397,673)	298,127	-	-
(Increase) / decrease in trade and other receivables	(54,565)	14,910	111,349	(57,187)
Increase in trade and other payables	2,311,680	401,035	181,614	50,419
Depreciation and amortisation	468,241	308,172	-	-
Impairment losses recognised in profit or loss	83,392	-	-	-
Share-based payments	89,557	266,127	89,557	266,127
Fair value movement on derivatives	(18,520)	11,359	(18,520)	11,359
Foreign exchange movements	929,714	481,779	868,430	435,318
Gains on disposal of property, plant and equipment	(16,488)	(853)	-	-
<b>Total non-cash adjustments</b>	<b>3,754,256</b>	<b>1,963,445</b>	<b>682,639</b>	<b>149,657</b>
<b>Cash used in operations</b>	<b>2,405,359</b>	<b>(1,025,363)</b>	<b>(180,462)</b>	<b>(530,401)</b>
<b>Reconciliation of liabilities from financing</b>	<b>Convertible loan notes</b>	<b>Loans and borrowings</b>	<b>Lease liabilities</b>	<b>Total</b>
<b>Group:</b>				
<b>At 1 January 2020</b>	776,704	286,125	467,703	1,530,532
<i>Cash flows:</i>				
Repayment	-	(245,237)	(66,380)	(311,617)
<i>Non-cash flows:</i>				
Loans converted into share capital	-	(11,938)	-	(11,938)
Financial liabilities raised and modifications	-	593,482	151,655	745,137
Interest accruing	38,835	64,817	51,376	155,028
Decrease through net exchange differences	-	-	(27,826)	(27,826)
<b>At 31 December 2020</b>	<b>815,539</b>	<b>687,249</b>	<b>576,528</b>	<b>2,079,316</b>
<i>Cash flows:</i>				
Draw down	941,146	-	-	941,146
Repayment	(462,500)	(147,625)	(87,750)	(697,875)
<i>Non-cash flows:</i>				
Loans converted into share capital	-	(26,356)	-	(26,356)
Value of conversion option	(94,680)	-	-	(94,680)
Financial liabilities raised and modifications	-	-	107,420	107,420
Interest accruing	215,340	56,920	54,386	326,646
Decrease through net exchange differences	-	(37,284)	(41,962)	(79,246)
<b>At 31 December 2021</b>	<b>1,414,845</b>	<b>532,904</b>	<b>608,622</b>	<b>2,556,371</b>

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### Cash used in operations continued...

	Convertible loan notes	Loans and borrowings	Lease liabilities	Total
<b>Company:</b>				
<b>At 1 January 2020</b>	776,704	286,125	-	1,062,829
<i>Cash flows:</i>				
Repayment	-	(156,892)	-	(156,892)
<i>Non-cash flows:</i>				
Loans converted into share capital	-	(11,938)	-	(11,938)
Interest accruing	38,835	19,860	-	58,695
<b>At 31 December 2020</b>	<b>815,539</b>	<b>137,155</b>	<b>-</b>	<b>952,694</b>
<i>Cash flows:</i>				
Draw down	941,146	-	-	941,146
Repayment	(462,500)	(76,298)	-	(538,798)
<i>Non-cash flows:</i>				
Loans converted into share capital	-	(26,356)	-	(26,356)
Value of conversion option	(94,680)	-	-	(94,680)
Financial liabilities raised and modifications	-	-	-	-
Interest accruing	215,340	4,569	-	219,909
<b>At 31 December 2021</b>	<b>1,414,845</b>	<b>39,070</b>	<b>-</b>	<b>1,453,915</b>

All movements on derivatives were non-cash.

## 27. Related parties

### 27.1 Relationships

Name	Nature of relationship
William van Wyk	Minority interest in Kareevlei Mining (Pty) Ltd
Ghaap Mining (Pty) Ltd	William van Wyk is a majority shareholder of this company
Subsidiaries:	Kareevlei Mining Proprietary Limited
	Diamond Resources Proprietary Limited
	BlueRock Management Services Limited
Teichmann South Africa (Pty) Ltd	Associated company of significant shareholder in BlueRock Diamonds Plc
Numovista Pty Ltd	Common shareholder with significant influence

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*Related parties continued...*

27.2 Related party transactions and balances	Group 2021	Group 2020	Company 2021	Company 2020
<b>Loan account - Owing by related party</b>				
Kareevlei Mining Proprietary Limited	-	-	11,492,128	9,784,358
<b>Management fees owing by related party</b>				
Kareevlei Mining Proprietary Limited	-	-	654,874	575,674
<b>Trade payables due to related party</b>				
Teichmann South Africa (Pty) Ltd	1,183,055	277,436	-	-
Numovista Pty Ltd	493,833	550,095	-	-
<b>Transactions with related parties</b>				
Kareevlei Mining Proprietary Limited				
- Interest received	-	-	769,700	615,074
- Management fees received	-	-	250,315	79,200
Teichmann South Africa (Pty) Ltd				
- Contractor fees paid	3,651,904	1,176,476	-	-
Numovista Pty Ltd				
- Purchase of plant and equipment	-	650,000	-	-
Ghaap Mining (Pty) Ltd				
- Contractor fees paid	69,673	56,655	-	-
Diamond sales				
- D Facey	2,062	-	2,062	-
Diamond sales to related parties were made at market value.				
William van Wyk				
- Interest paid	2,598	3,083	-	-
As at 31 December 2021 the balance payable on the vehicle lease facilities entered into with William van Wyk was £18,762 (2020: £27,264).				
AT Simbanegavi				
- Interest paid	2,144	-	-	-
As at 31 December 2021 the balance payable on the vehicle lease facilities entered into with AT Simbanegavi was £33,167 (2020: £nil).				

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### *Related parties continued...*

Refer to note 16.2 for convertible loan note related party transactions.

### 27.3 Compensation paid to Directors and key management personnel

#### Directors:

MJ Houston - received fees of £79,167 (2020: £59,500)

TG Leslie - received fees of £20,833 (2020: £19,167)

D Facey - received fees of £81,000 (2020: £59,000)

AT Simbanegavi - received fees of £30,000 (2020: £27,500)

RC Croll - received fees of £9,375 (2020: £nil)

#### Key management personnel:

AT Simbanegavi - received a salary from Kareevlei Mining Proprietary Limited of £119,621 (2020: £113,622)

RC Croll - received fees from Kareevlei Mining Proprietary Limited of £6,462 (2020: £nil)

### 27.4 Placing and subscriptions

The Directors subscribed to the following shares and share options during the year:

Name	Number of ordinary shares issued	Share options issued
MJ Houston (Executive Chairman)	100,000	-
DA Facey (Chief Financial Officer)	50,000	-
	<b>150,000</b>	<b>-</b>

### 28. Events after the reporting date

#### Fundraising

During March 2022 the Company successfully raised an aggregate before expenses of £2.100,000 via the issue of 6,000,000 ordinary shares of 5 pence each in the capital of the Company through a placing and subscription at 35 pence per new share. Additionally trade payables of £579,514 were settled through the issue of 1,655,753 shares at 35 pence per share.

The remaining balance of £668,853 of the convertible loan notes issued to the Teichmann Group during 2021, was received after year end.

### 29. Financial risk management

#### 29.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk.



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*Financial risk management continued...*

### 29.2 Market Risk

#### 29.2.1 Foreign exchange risk

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group may use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. There is no material Group exposure to foreign currency exchange risk. The Company's exposure to foreign currency risk relating to these financial instruments are as follows:

	<b>Company 2021</b>	<b>Company 2020</b>
Trade receivables	654,874	575,674
Amounts due by subsidiary	11,492,128	9,784,358

#### Sensitivity analysis

At 31 December 2021, if the pound sterling had weakened/strengthened by 12% against the South African Rand with all other variables held constant, post-tax loss for the year would have been £66k lower (2020: £247k) or £52k higher (2020: £314k), mainly as a result of foreign exchange gains or losses on translation of South African Rand denominated trade receivables and Intragroup borrowings. The exchange rates used for conversion of South African rand monetary items to Sterling were – 2021: 20.33 (2020: 21.07).

#### 29.2.2 Price risk

The profitability of mining operations is directly related to the prevailing diamond price. Historically, diamond prices have been volatile and are affected by numerous factors which the Group is unable to control or predict, including world production levels, international economic trends, industrial and consumer demand, currency exchange fluctuations, seasonality, speculative activity and political events.

The Group realises US Dollars for its diamond sales, and reports its results in Pounds Sterling. Should the South African Rand strengthen against the Pound, the costs of the Group's mining operations, which are largely denominated in South African Rand, may be adversely affected. Should the US Dollar weaken against the Pound, the Group's revenues may be reduced.

Should market prices for raw materials, services and equipment, such as diesel or mining equipment increase, the Group's results may be adversely affected. The Group seeks to obtain the best rate for each product or service, taking into account price, service quality and reliability.

#### Sensitivity analysis

An increase in the average US Dollar diamond price per carat of 10%, with all other variables held constant would have decreased post-tax loss by £784k (2020: £360k), while a decrease would have increased post-tax losses by £784k (2020: £360k).

#### 29.2.3 Interest rate risk

The Group has borrowings that incur interest at fixed rates and therefore does not have significant risk relating to movements in interest rates. The Group's fixed rate borrowings comprise convertible loan notes and loan facilities which incur interest at fixed interest rates of between 10% and 14.50%.

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*Financial risk management continued...*

### 29.2.4 Covid 19 risk

#### **Possible further shutdown**

There is a risk that the South African Government may impose further shutdowns should the spread of the infection increase. There have been limited infections to date at the mine and the Group has taken measures to protect its employees and has plans in place to detect and isolate cases.

### 29.2.5 Ukraine and Russia conflict risk

The conflict between Ukraine and Russia has resulted in constraints to the global supply of rough diamonds, as Russia accounted for 25%-30% of rough diamond supplies. The shortage in supply has resulted in an increase in rough diamond prices achieved since the conflict started. Our expectation is that this trend will continue in the short- to medium-term. The long-term effect of a long and drawn-out conflict is very difficult to predict. Abnormally high diamond prices, coupled with the global increase in inflation rates, might lead to consumer demand wavering. Management is constantly monitoring the situation in the market and prevailing trends in order to take quick and decisive actions to mitigate any risks to the business.

The conflict has resulted in a substantial increase in fuel prices, with the expectation that this trend will continue until the conflict is resolved. This has had a negative impact on the Group's operating costs, as fuel constitutes a large portion of its mining and processing costs. Management mitigates this risk by negotiating favourable prices in advance, with its long-term preferred fuel supplier.

### 29.3 Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The credit risk on receivables from subsidiaries is significant and their recoverability is dependent on the discovery and successful development of economic reserves by these subsidiaries' undertakings. Given the nature of the Group's business significant amounts are required to be invested in exploration activities. The Directors manage this risk by reviewing expenditure plans and budgets in relation to projects. This review ensures that any expenditure is value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves. The maximum credit exposure of the Company as at 31 December 2021 was £13,192,307 (2020: £11,033,747) of which £12,147,002 (2020: £9,784,358) is related to the subsidiary loan. The maximum credit risk of the Group as at 31 December 2021 was £1,284,269 (2020: £732,125).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the subsidiary loan receivable and considered scenarios including recovery via future production, via sale of licences and a scenario in which the loan cannot be realised.

Based on analysis of forecasts and the underlying Inferred Resource value no expected credit loss provision is considered to apply.

### 29.4 Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. The maximum exposure from the Group's financial liabilities, including borrowings, lease liabilities and trade and other payables are set out in note 16.2.

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*Financial risk management continued...*

### 29.5 Capital risk management

The Group's capital management objectives are:

- to safeguard the Group's ability to continue as a going concern and provide access to adequate funding for its exploration and development project so that it continues to provide returns and benefits to shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group including planned exploration work and capital efficiency, projected profitability, projected operating cash flows and projected capital expenditures. Management regards total equity as capital and reserves, for capital management purposes. If additional equity funding should be required, the Group may issue new shares.

### 30. Fair value measurement of financial instruments

Financial liabilities measured at fair value in the statement of financial position are Grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at each year end:

<b>Financial liabilities held at fair value through profit and loss:</b>	<b>Group 2021</b>	<b>Group 2020</b>	<b>Company 2021</b>	<b>Company 2020</b>
Embedded derivative (level 3)	3,198	21,718	3,198	21,718

The Group's management team perform valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

#### *Embedded derivative (level 3)*

The derivative financial instrument is a level 3 valuation as it is not possible to observe all future additional financing requirements for the Group to perpetuity. Therefore, the future conversion price of the convertible loan notes may be reduced. As a result the derivative has been valued using the Monte-Carlo simulation with 5,000 iterations to anticipate the Group share price movements to provide a valuation for the convertible loan note. Inputs included in the Monte Carlo simulation were: the Company's historical and current share price, the convertible loan exercise price, the risk-free rate of return, the convertible loan grant date and vesting period.

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### 31. Ultimate controlling party

The Group considers that there is no ultimate controlling party.