BlueRock Diamonds Plc

(Registration Number 08248437)
Annual Report and Financial Statements
for the year ended 31 December 2020

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General Information

Country of Incorporation and Domicile	United Kingdom
Registration Number	08248437
Directors	MJ Houston (Executive Chairman) TG Leslie (Non-Executive Director) DA Facey (Chief Financial Officer) AT Simbanegavi (Chief Operating Officer) RC Croll (Non-Executive Director)
Registered Office	4th Floor Reading Bridge House George Street Reading Berkshire RG1 8LS
Nominated advisor and Broker	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
Bankers	Arbuthnot Latham & Co., Limited
Financial Public Relations	St Brides Partners Ltd 51 Eastcheap London EC3M 1JP
Auditors	BDO LLP 55 Baker Street London United Kingdom W1U 7EU

Chairman's Statement

Dear Shareholders,

I am pleased to present our audited results for the year ended 31 December 2020.

Overview

Operational

- 24% increase in tonnes processed to 402,000
- 10% year on year increase in carats produced to 15,371
- 29% year on year increase in carats sold to 16,290

Resource Expansion

- Transformational expansion project nearing completion leading to an expected annual run rate of over 1 million tonnes per annum
- 49% increase in Inferred and Indicated Diamond Resource to 10,368,300 net tonnes which provides a minimum 10-year life of mine based on planned production of 1mtpa
- 53% increase in net carats to 516,200

Financial

- £3,601,819 revenue, lower that 2019's £4,073,853 due to the effect of COVID-19

2020 began optimistically for the Company, having completed a fundraise in February 2020 to implement an expansion plan that would transform BlueRock. The months that followed shook the world and had a material impact on BlueRock's operations. As a result of COVID 19, Kareevlei was shut in March 2020 and remained closed for 46 days. During that time, we quickly established new strategies that would ensure the safety of our team, whilst enabling the mine to reopen despite having watched the international diamond market evaporate. The word 'unprecedented' has been used countless times in the past 18 months and is felt by many to be overused. However, it was an unprecedented period, and we are only now getting back on our feet as vaccination programmes worldwide build momentum, markets bounce back, and unique to BlueRock, our expansion plan reaches its final phase.

The revenue lost due to COVID-19 was approximately USD$2.5 million, from the combination of the impact on pricing and our enforced shutdown of 46 days in Q2.

Operations

Kareevlei hosts five known diamondiferous kimberlite pipes with a combined Inferred and Indicated Diamond Resource of 10.4 million tonnes / 516,200 carats (announced in February 2021) and produces excellent quality diamonds with 90% of output gem quality. Having secured £1.7m in funding in February 2020, our aim was to fast-track a material increase in production volumes at Kareevlei from the 323,000 tonnes achieved in 2019 to a run rate of around 750,000 tonnes per annum ('tpa') and a consequent expected increase in carats to 30,000 by the end of 2020 and at a steady state production in excess of 40,000 carats per annum from 2021. We also aimed to optimise profitability through reducing unit costs by investing in infrastructure and the benefit of the much-improved economies of scale; to this end, our target was to reduce cost per carat by approximately USD50.

As mentioned, soon after we started this programme, we were forced to stop work at the mine due to the pandemic, but continued to develop the business on a corporate level. Firstly, we reviewed our sales strategy and established a new partnership with Antwerp based Bonas-Couzyn N.V, part of the Bonas Group ("Bonas"), to market the Kareevlei diamonds through its Antwerp facility. Whilst this partnership remains in place, we have yet to use it. We expect to start selling through Antwerp once our new facility is fully operational.

Chairman's Statement

We also signed Heads of Terms with Delgatto Diamond Finance Fund LP (“DDFF”), a New York based fund, to provide pre-sales finance that would enable us to have greater flexibility over when sales were made. Once again, we have not used this provision, but it remains an option for us.

Once operations restarted at the mine on 11 May 2020, we quickly increased production at minimal cost having made modifications to the primary crushing circuit and introducing the third pan. Volumes continued to rise for the remainder of the year, resulting in a 24% increase in tonnes processed to 402,000 against 323,000 in 2019. Carats produced and sold were also up 10% at 15,371 and 29% at 16,290 respectively year on year, whilst the grade was slightly down as we concentrated on amalgamating KV1 and KV2 to create one larger and more efficient Main Pit and add considerable flexibility to our mining operation. Having completed this in Q3 2020, the average grade for the second half was a much improved 4.4 cpht, a slight increase over the average for FY 2019.

Post period end, in February 2021, we reviewed our expansion project and decided to increase our production target to 1Mtpa and annual revenue to circa USD16m assuming a grade of 4 cpht and an average sale price of USD400. At this time, we raised a further £1.5m. Later in May 2021, this was appraised again, to bring forward certain deliverables ahead of planned commissioning and to explore options to advance the development of our largest pipe, KV3.

In May 2021 as a result of increasing costs and delays related to our expansion project we entered into Heads of Terms for a loan to raise a further £1.61 million, which will be exchanged for a convertible loan note, subject to Takeover Panel and independent shareholder approval, the details of which are discussed in detail below.

Expansion Project

I am glad to say that our transformational expansion project is nearing completion. We are expecting to start commissioning of the the wet side of the new plant shortly and once complete we are targeting annual production of 1 million tonnes and hope that we will be able to exceed this. The increased tonnages will provide the economies of scale to turn Kareevlei into a highly cash generative asset.

The Diamond Market

2020 was a very difficult year for the diamond market. For a number of months there were no auctions either in South Africa or elsewhere. During the second half of the year we sold diamonds to a private buyer. Initially we were obtaining prices in excess of USD300 per carat but towards the end of the year this fell to nearer USD200 per carat.
I am delighted to report that in 2021 the market has recovered to pre-COVID levels and we have achieved an average of USD424 per carat in the first five months of the year, through the South African auction house, which is higher than the pre-COVID price of USD415 achieved in 2019 for a similar product mix. At the time of writing the market remains buoyant with a tight supply of rough diamonds and a strong recovery in the retail sector.

Diamond Resource ("Resource")

At the end of the year, we announced a provisional Resource update that was confirmed post period end in February 2021, demonstrating a 49% increase in net tonnes to 10,368,300, a 53% increase in net carats to 516,200 and notably the Competent Person upgraded 19% of the resource from Inferred to Indicated. 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 current known volume has been included.

Chairman's Statement

Partnerships

We have an excellent relationship with Teichmann, which owned 27% of BRD's shares at the end of the year and are also our mining contractor, our biggest supplier. I discuss our relationship with them later in my statement.

Post period end, and to allow Management to focus on day-to-day production as well as commissioning / handover requirements, we appointed BinVic (Pty) Limited ('BinVic'), a fully integrated project execution service provider, to complete our expansion project.

We also strengthened the Board and management, appointing an experienced mining engineer based in South Africa, Rob Croll, as a Non-Executive Director, and who is also heading up a technical committee of the Board. Furthermore, we engaged Minexec (Pty) Ltd, headed up by Meiring Burger, to work alongside our Kareevlei CEO, Gus Simbanegavi, to provide additional management support and to ensure that the delivery of the increased tonnages is achieved with the maximum efficiency. Meiring has a strong operating mining background in Africa with a focus on a culture of accountability and skills development.

Outlook

Our strategy remains to achieve and then maximise the profitability at Kareevlei and in the longer term to explore other new similar opportunities where we believe we can add value. To this end, we expect to complete our expansion project in July 2021 and build up to full production in August enabling us to hit our full year production guidance of 750,000 tonnes to 850,000 tonnes processed and carats produced of between 30,000 to 39,000 carats. We have put a temporary hold on our plan to connect to the national grid, whilst we consider alternative power options that, on a sustainable basis, will move the operation towards lower carbon emissions. We remain committed to finding the right power solution and to implement it in 2022.

Accordingly, by the end of the year, we expect BlueRock to be a very different company, with annual run rate revenues doubled to +USD16m, and cost per unit cost reduced to c.USD220 per carat, thereby providing a healthy margin compared with our average sale price for 2019 (pre-COVID) of US$415 and the first five months of 2021 of USD424 per carat.

We appreciate that it has been a challenging period and in reality it has set BlueRock back the best part of a year on its growth plan at the Kareevlei operation and we would like to thank shareholders for their continued support. However, with the expansion plans coming to fruition, we are highly optimistic for BlueRock's future and look forward to providing further updates on progress.

Events following the end of the year

At the end of 2020 and the beginning of 2021 Kareevlei experienced unprecedented levels of rain fall which forced the plant to close for a total of 29 days. Not only did this impact the timetable for the completion of our expansion project, but also reduced production levels accordingly. These two events coupled with the very low pricing that we achieved in the last quarter of 2020, led to a cash requirement which was satisfied by the issue of a further £1.5m of equity in February 2021.

In May 2021 as a result of increasing costs and delays related to our expansion project we entered into Heads of Terms for a loan to raise a further £1.61 million, which will be exchanged for a convertible loan note, subject to Takeover Panel and independent shareholder approval. The funds are due to be received in 12 equal monthly instalments and the first payment was received in June 2021 in contemplation of agreeing final loan documentation shortly. We are encouraged by the continued support of Teichmann who are working even more closely with the Company to ensure that we reach our goals.

In conclusion, what started out to be an exciting year for BlueRock ended up being a very challenging one with the impact of COVID 19 over an extended period and two extreme wet seasons having a significant influence on outcomes. Your Board, with the best knowledge available in early 2020 pushed ahead with the expansion at Kareevlei as strategically it remained key to delivering on shareholder value.

Chairman's Statement

However, some tough lessons have been learnt and in hindsight we may have done certain things differently if we had known the ongoing impact of COVID 19 particularly in relation to the on ground management support. We addressed this in early 2021 through the appointment of BinVic to manage the expansion project and more recently through the appointment of Rob Croll. Rob is based in South Africa and able to make regular visits to the mine.

Looking forward, the mine and plant expansion is very close to completion and management are focusing on preparedness to deliver on the materially higher tonnages and cost controls both of which will drive cashflows and profitability. We have the marketing arrangement with Bonas in place with the potential to add value to sales which we will implement at the appropriate time.

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

Strategic Report

Operational statement

Overview

COVID-19 dominated the year, resulting in operations being forced to close for 46 days starting in March 2020. Once the South African Government relaxed its restrictions we recommenced operations in May 2020, although there was no ready market for our diamonds at that time.

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 is now due for completion in August 2021, and
b) create the Main Pit from KV1 and KV2 enabling us to mine more flexibly and more efficiently. This led to a reduction in grade in the first half as we were mining near surface and near the ore/waste contact zone, increasing the dilution of the material processed.

Despite the problems caused by the pandemic we increased tonnes processed by 24% to 402,000 tonnes and carats produced by 10% to 15,371 carats.

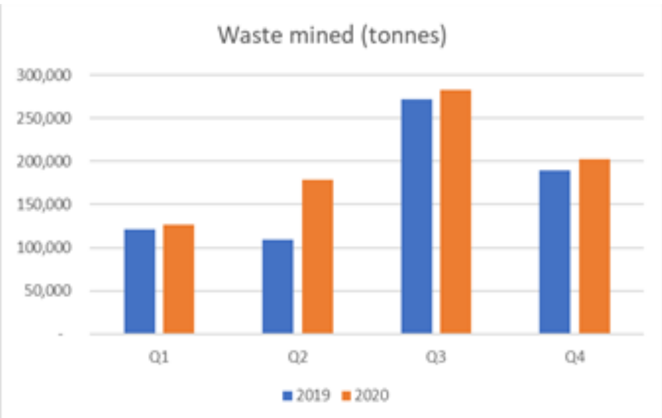
Safety, Health and Environment

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 a number of new measures to ensure that we are compliant with best practice in relation to preventing the spread of COVID 19.

We have had 14 cases of COVID-19 in 2020, but due to the measures that we had implemented, the impact on our operations has been limited. There were zero fatalities recorded for the year and 2 Lost Time Injuries recorded. The operational team continues to focus on ensuring the safety of our employees in this regard.

Mining

In the first half of the year we concentrated in developing the Main Pit from KV1 and KV2 in order to provide a more flexible and more efficient mining environment. This was largely completed by the end of the first half of 2020 although we continue to work on establishing the ramp and haul road network within the pit as we go deeper.



Total waste mined in 2020 was 791,000 tonnes up from 692,000 tonnes in 2019 reflecting the extra work required to create the Main Pit and the increased level of production. Waste mining was down in Q2 as we were concentrating on conserving cash at the start of the pandemic when the future was very unclear.

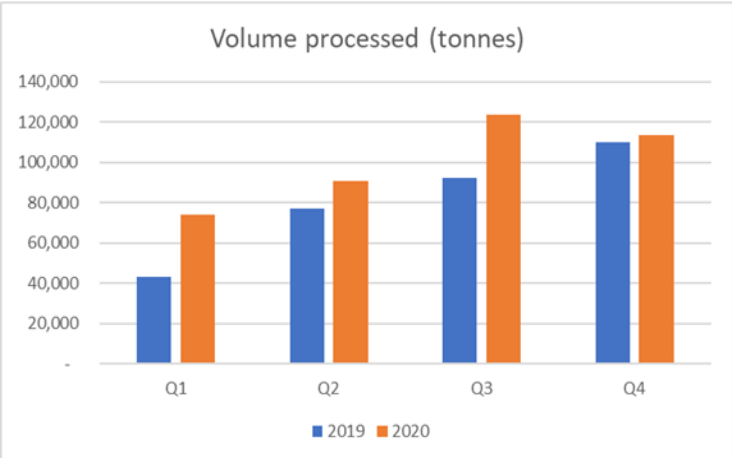
Strategic Report

Total ore mined in 2020 was 377,000 tonnes up 10% on 2019 (343,000 tonnes). In 2020, the strip ratio average was 2.1 (2.0 in 2019).

Processing

A total of 402,000 tonnes of ore was processed during the year, up 24% on the previous year of 323,000 tonnes. This is quite an achievement as we were closed for 46 days starting on 26 March 2020 as a result of the COVID-19 pandemic. In addition excessive rain fall in December 2020 affected operations with 12 days lost in Q4.

Production volumes by quarter are shown below:

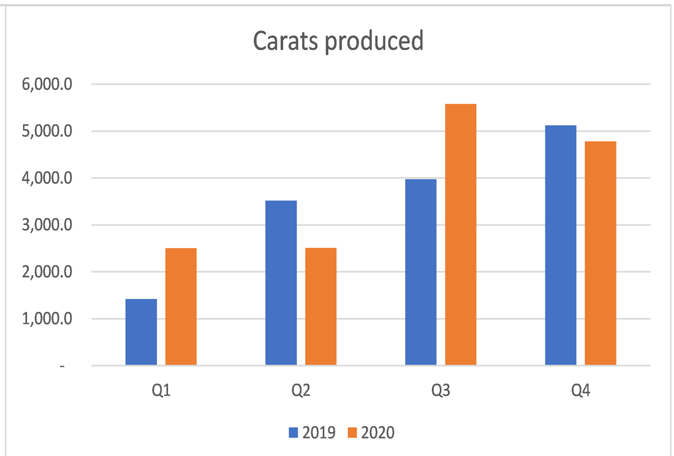


Production levels were up in all quarters despite the shut down in Q2 and the heavy rains in December 2020. The management of the plant during the rainy season had a marked improvement, which resulted in significantly better performance in Q1 compared to 2019.

Recoveries

Grade and carats produced

The average grade for the year fell from 4.3 cpht to 3.8 cpht. The primary reason for the decrease was the reduced grade in the first half of the year when we were concentrating on developing the Main Pit requiring us to mine nearer surface and nearer the edges of the Main Pit leading to a higher level of dilution.

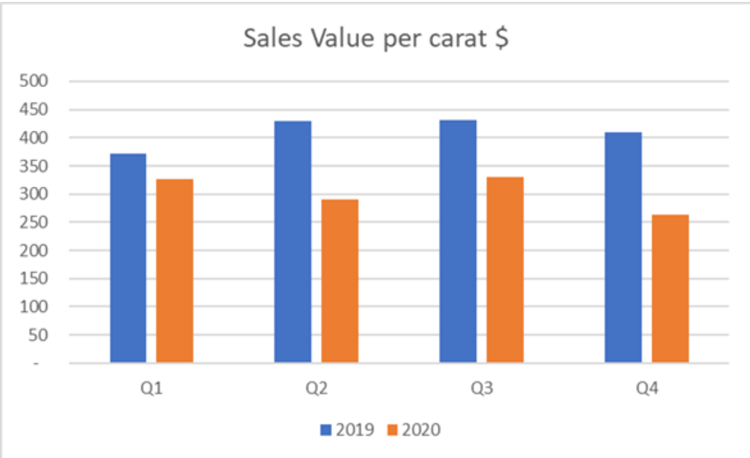


Strategic Report

The grade for the first half of the year averaged just 3.0 cpht whereas the grade for the second half averaged 4.4 cpht similar to the 4.3 cpht we achieved in 2019. The second half of the year saw a record number of carats produced as grades and volumes recovered. Total carats produced in 2020 was 15,371, up 10% on 2019.

Value per carat

The market for diamonds was affected badly as a result of the pandemic. Retail sales almost disappeared overnight and most, if not all, of the auction houses were closed for most of the final three quarters of 2020. This is shown in the graph below.



All of our sales from Q2 onwards were made to private buyers, thus eliminating the competitive nature of the auction process. Initially, we were obtaining reasonable prices from the private market albeit at a c25% discount to the 2019 prices. However these prices collapsed in Q4 when we achieved an average of just over USD250 per carat. The average price achieved for 2020 was $295 per carat, a fall of $120 per carat from 2019. Therefore, the revenue lost due to COVID-19 was approximately USD$2.5 million, from the combination of the impact on pricing and our enforced shutdown of 46 days in Q2,

Tenders resumed in January 2021 and the market has returned strongly in 2021 and we are now achieving average prices in excess of our average for 2019 of USD415 per carat.

The Resource and Life of Mine

At the end of the year, following a drilling programme designed to prove greater depths of Resources and to further define the surface area of the resource, we announced a provisional increase in our Resource as follows:

	November 2018 [1]	**December 2020** [2]	**Increase**
Tonnes	7,700,000		
Total mined tonnes to date	(691,000)		
Net tonnes	**7,009,000**	**10,009,000**	**43 %**
Carats	367,000	-	
Mined carats	(28,500)	-	
Net carats	**338,500**	**513,500**	**52 %**
CPHT	4.83	5.13	6 %

(1) 2018 resource statement
(2) Provisional figures for December 2020 based on mined tonnes and carats and not a volumetric depletion

Strategic Report

The provisional figures were confirmed in Q1 2021 by our Compentent Person. Whilst we had always been confident that the Resource was far larger than previously estimated it is comforting to have this confirmed by our Competent Person. 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.

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. Once we have completed the expansion project we will do further work necessary to prove this additional Resource.

Operational outlook

2020 was a challenging year for all.

We are now nearing the completion of our expansion project and expect to be running at the new levels during August 2021, which will bring us the necessary economies of scale.

The recovery of the diamond market since early 2021 has been encouraging as we are obtaining good prices for our diamonds in 2021. The average so far for this year is USD424 per carat, which is higher than the average of USD415 per carat for 2019.

Gus Simbanegavi

Chief Operating Officer

Strategic Report

Financial review

Overview

The results for the year show the impact of COVID-19 during the year, despite which we achieved increases in waste mined, ore mined and production volumes compared to 2019. However depressed prices and lower grades led to a decrease in revenue.

Revenue and Loss for the Year

In 2020, the Group made a loss before tax of £2,988,808 (2019: £684,244) on revenue of £3,601,819 (2019: £4,073,853) reflecting the effect of COVID 19 and the resulting mine closure in the first half of the year and the downturn in the diamond market in the second half of the year. It is difficult to calculate the overall cost of the pandemic, but revenue lost due to COVID-19 was approximately USD$2.5 million, from the combination of the impact on pricing and our enforced shutdown of 46 days in Q2.

Statement of Financial Position

Borrowings increased from £1,073,187 in 2019 to £1,524,506 in 2020, as a result of the loan from Numovista Pty Ltd financing the purchase of the new plant equipment. Property, plant and equipment have increased by £1,565,415 in the year, as investment in the mine continues, specifically in relation to the new plant. Leased assets have increased from £455,381 in 2019 to £520,795 in 2020 and lease liabilities increased from £467,703 in 2019 to £576,528 in 2020 as a result of new leases. Inventories have decreased by £379,039 due to the December 2020 rainfall and the impact this had on the mining operations. Trade and other payables have increased by £356,979 due to the increase in costs specifically related to the expansion project.

Cash flows

Investments

During the year we invested £1,268,083 (2019: £569,367) 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 £101,888 (2019: £286,984). This was required as the footprint of the mine has been increased.

Financing

During 2020, the Company raised a total of £3,149,996 gross of expenses through two placings and subscriptions (£1,700,000 in February 2020 and £1,449,996 in July 2020). 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, but also to cover the loss of income as a result of COVID-19.

Cash position

At the end of the year the Group cash balance (excluding restricted cash) was £355,463 (2019: £165,935). Additionally, the Group had diamond inventories of £306,753 (2019: £527,300).

Since the year end the Company has raised further funds through a placing and in May 2021 as a result of increasing costs and delays related to our expansion project we entered into Heads of Terms for a loan to raise a further £1.61 million, which will be exchanged for a convertible loan note, subject to Takeover Panel and independent shareholder approval. Nevertheless, there remains a material uncertainty as detailed in our Going Concern Report.

Strategic Report

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

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 Diamond 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.

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.

Strategic Report

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 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 in 2020 and a weakening in the market value of diamonds. Although cases in the Northern Cape are currently high, the Group is compliant with local protocol, and further enforced shutdowns are not anticipated. However there remains a risk, that future outbreaks could affect both production and prices.

Climate Change

The effect of Climate Change in the future, particularly on the level of rainfall is a potential risk outside of the Group's control. As the effect of Climate Change becomes clearer the Group will see to amend its operating practices in order to mitigate this risk.

Strategic Report

Key Performance indicators

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

Production
Tonnes processed in 2020 was 402,000 tonnes, 24% up on 2019. Average monthly production for the second half of 2020 was approximately 39,000 tonnes compared to 37,000 during 2019.

This is a strong result particularly given the problems of COVID-19.

Grade
The average grade for 2020 was 3.8 cpht, 12% down on 2019 grade of 4.3 cpht. The average grade for the second half of 2020 was approximately 4.4 cpht.

The lower grade in the first half of the year resulted from the development of The Main Pit which required mining at nearer surface and edge, leading to a greater level of dilution.

Carats produced

Despite the impact of COVID-19, the carats produced were 15,371, up 10% on 2019 and carats sold were 16,290, up 29% on 2019. Carats sold was greater than carats produced as a result of the brought forward balance of inventories.

Value per carat
The value per carat for 2020 was USD300, 28% down on 2019.

Prices were impacted severely by the COVID-19 pandemic.

Strategic Report

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.

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
Equity Investors and Business Partners			
Teichmann Company Ltd and associated own 27% at the date of this report.	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.	The key mechanisms of engagement included: Teichmann Teichmann have the option to appoint a Director to the Board. As of the date of signing this Annual Report they have not taken up this option. 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	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 2020, the Group raised £3.15 million in cash, gross of expenses, through new share issues
Workforce			
The Group has approximately 90 employees including its Directors. Two of the Directors are UK residents and three are overseas resident Directors. The rest of the Company's workforce is based in South Africa	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 2020.	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.	The Remuneration Committee operated an employee Bonus scheme payable on achieving certain production targets, and an employee trust has been set up to own 5% of the Company's operating subsidiary. The workforce have been trained in aspects of corporate policies and procedures to engender positive corporate culture aligned with the Company code of conduct

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

Strategic Report

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 2020 were:

a) The closure and subsequent reopening of the mine following the onset of COVID-19

As a result of the South African Government Directive the Company was required to close down our mining activities on 26 March 2020. The restrictions started to be lifted on 16 April 2020 and we reopened the mine on 11 May 2020 having satisfied ourselves that we could operate safely and it was economically beneficial to do so, compared with the alternative, which was to remain in care and maintenance until the situation improved.

b) The decision to increase annual production capacity to c700,000 tonnes pa and allied fund raising

The Board remains of the view that economies of scale are essential in order for Kareevlei to operate profitably. The decision was taken at the beginning of 2020 to increase the capacity to c700,000 tonnes per annum. The Board raised a total of £1.7 million before expenses to fund the increase.

c) Fund raising in July 2020

As a result of the problems and delays occasioned by COVID-19, the Board decided to raise further equity funding in July 2020, totalling £1.45 million before expenses.

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 2021

Board of Directors

Michael Houston - Executive Chairman, aged 69
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 58
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 54
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.

Gus Simbanegavi - Chief Operating Officer, aged 46
Gus is a mining engineer and has extensive experience of working in mining operations in South Africa and Zimbabwe. He has previously worked closely with the Company's Chairman Mike Houston. Importantly, Gus' experience encompasses both small and large scale mining operations including extensive open cast mining.

Gus is a professional Mining Engineer and also holds a Masters in Business Administration. He is a member of the Australian Institute of Mining and Metallurgy (AusIMM). Gus has over 20 years’ experience in executive roles for mining operations which spans across diverse mining commodities with majority of experience in Gold and Platinum Mining for both Open pit, Underground mining and Processing plants.

Before joining Bluerock diamonds Gus has worked at various levels for Aquarius Platinum (SA), Eqstra Holdings, Zimplats and Delta Gold where he was involved in taking the various operation from design concept to operational mines. He was instrumental in the development of Zimplats Ngezi Operations in Zimbabwe and Aquarius Platinum’s Everest and Marikana Platinum Mines in South Africa. Experience over the years has been operational management and project implementation of mining projects and operations.

Rob Croll - Non-Executive Director, aged 69
Rob Croll was appointed on 21 May 2021. 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 is currently the Lead Independent Non-Executive Director for Resource Generation Limited.

Corporate Governance

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 and 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 2021 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.

Corporate Governance

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 12 to 14.

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 12 to 14.

Corporate Governance

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 is appropriate to have an Executive Director serving as the Chair, as this is expected to be temporary, and will change on the appointment of a Chief Executive Officer. 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 two Non-Executive directors and three Executive directors. Tim Leslie and Rob Croll are the independent Non-Executive Directors. It is the Board's intention to revert to a Non- Executive Chairman in due course.

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%. TCL currently hold approximately 29% of the Company and have indicated that at this juncture, they do not intend to take up the right. If and when Teichmann exercise their right, the appointee will not be fully independent of the Company due to TCL’s substantial shareholding, however the appointee will be considered to be independent of the executive team.

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, the Finance Director and the Chief Operating Officer. The Chief Operating Officer is also CEO of the Company's subsidiary, Kareevlei Mining Pty Limited.

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 2020 the Board held 12 formal Board meetings. Attendance at these meetings were as follows:

Director	**Meetings attended**	**% attended**
Mike Houston	12	100
Tim Leslie	12	100
David Facey	12	100
AT Simbanegavi	12	100

The Audit Committee met twice in the period to which all committee members were in attendance. The Remuneration 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.

Corporate Governance

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. In addition, Gus Simbanegavi is a mining engineer and has extensive experience of working in mining operations in South Africa and Zimbabwe. Gus' experience encompasses both small and large scale mining operations including extensive open cast mining. 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.

Rob Croll and Tim Leslie, notwithstanding his holding of £462,500 in a loan note (see note 16), are considered to be independent directors.

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 2021. No evaluation took place in 2020.

Corporate Governance

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.

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. The Chief Operating Officer is responsible for the day to day running of the Company's main asset, Kareevlei and is also the CEO of that company.

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:

Corporate Governance

Audit Committee
The Audit Committee consists of Tim Leslie (chair) and Rob Croll. 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 COO may be invited to attend all or any part of any meeting when deemed appropriate. The Company's external auditors will be 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 2020 and has discussed the audit findings with the Company's external auditors.

Remuneration Committee
The Remuneration Committee consists of Tim Leslie (chair) and Rob Croll. 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) and Rob Croll. 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.

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.

Corporate Governance

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. It was also concluded that waste stripping costs did not meet the criteria for capitalisation under IFRS and thus that these costs should be fully expensed in 2020.

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 level of uncertainty resulting from the impact of the COVID-19 pandemic, and the potential uncertainties relating to the completion of the new plant and planned increased production levels, as well as the possibility that the new CLN 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 2021 AGM.

Corporate Governance

Remuneration committee report

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

Over the past year and into 2021, 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 2021 in order to approve remuneration for the following year. The annual remuneration for the Directors is noted in the Directors’ report.

Directors' Report

The directors present their report for the year ended 31 December 2020.

1. Review of activities

Principal activities and results

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 has prepared forecasts covering the period to 31 December 2022. Appropriate diligence has been applied by the directors who believe that the forecasts are prepared on a realistic basis using the best available information. The Group had cash balances of £156,000, a further £202,000 due from Teichmann (in accordance with the terms of their February 2021 share subscription), together with approximately 2,133 carats of diamonds and 267 carats of diamonds held in concentrate form and no bank debt at 28 June 2021. However, there remains a balance of £550,095 on the loan for some of the new plant equipment. The forecasts include repaying 50% of the existing Convertible Loans in October 2021 (£462,500) and assume the Group will exercise the option to extend the remaining 50% until October 2022. The forecasts also assume that the Group will receive the amount due under the Teichmann Group loan note as detailed below.

Heads of Terms have been agreed with the Teichmann Group for a £1.61m loan note with the intention that this will be replaced by a convertible loan note ('CLN'). Under the Heads of Terms, the initial loan will have a short term expiring on 31 August 2021. The funds are due to be received in 12 equal monthly instalments and the first payment was received in June 2021. It is expected that the initial loan (of which only three instalments will have been received) will be refinanced through the future issue of the CLN to Teichmann. The proposed CLN will not be issued by the Company until shareholders have approved additional Company authorities to issue new shares. In addition, the Company is applying to The Panel on Takeovers and Mergers for a waiver of the obligation, that might arise on the exercise of the conversion rights under the CLN, for Teichmann (and its concert party) under Rule 9 of the Takeover Code to make a mandatory offer for the Company, subject to the approval of independent shareholders in accordance with Appendix 1 of the Takeover Code (the "Waiver"). In the event that the CLN is not issued by 31 August 2021, being the term of the initial loan, BlueRock will be required to repay the higher of a) all amounts invested by Teichmann plus the interest on the entire amount of the loan that would have accrued over a three and a half year period; or b) all amounts invested by Teichmann plus the market value of such shares as would have been issued should the CLN have been issued, been converted and run for its full term less the principal amount invested. Therefore, until the CLN has been issued, there remains an uncertainty regarding the receipt of the remaining funds due under the Teichmann Group Loan, and the potential of repayments being due to Teichmann.

The COVID-19 pandemic resulted in the mine being forced to close for a period of 46 days in 2020 plus a weakening in the market value of diamonds, both of which had an impact on the Group’s operating results for FY2020. Although the Board is not anticipating any future impact of the severity seen in 2020, in making its going concern assessment, the Board has considered the increased level of uncertainty resulting from COVID-19. Cases in the Northern Cape are currently high and, although the Group is compliant with local COVID-19 protocols, there can be no certainty that COVID-19 will not impact on future production.

The new plant is nearing completion, and although the Board is confident that it will soon be operating at full capacity, there remains the risk that the completion of the new plant is delayed and that production levels do not increase at the expected levels which may require higher levels of working capital than expected.

Directors' Report

After review of these uncertainties, the Directors have a reasonable expectation that the Group has 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 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 CLN to Teichmann, the potential future impact of COVID-19 and the completion of the new plant, which could result in additional funding being required, 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.

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	0.15%	-	0.00%
D Facey	112,285	0.80%	181,564	1.29%
M Houston	144,285	1.02%	279,304	1.97%
AT Simbanegavi	24,285	0.17%	363,127	2.54%
RC Croll	-	0.00%	-	0.00%

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.

Directors' Report

5. Dividend

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

6. Directors

The directors of the company during the year and up to the date of this report are as follows:

Name	Nationality	Appointment date
MJ Houston (Executive Chairman)	British	2 November 2018
TG Leslie (Non-Executive Director)	British	4 September 2013
DA Facey (Chief Financial Officer)	British	1 December 2017
AT Simbanegavi (Chief Operating Officer)	Zimbabwean	19 February 2020
RC Croll (Non-Executive Director)	British	21 May 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:

	Holding		Shares which could be acquired through other financial instruments	
Name	**Number of ordinary shares**	**Percentage of share capital**	**Number of ordinary shares**	**Percentage of share capital**
Teichmann Company Limited and associated companies	3,641,271	25.79%	-	0.00%
Spreadex Limited	905,224	6.41%	574,200	4.07%
Edale Europe Absolute	815,000	5.77%	404,069	2.86%

The Takeover Panel executive has opined that a concert party exists which comprises of the following members with a current aggregate shareholding of 26.80%. Details of which are:

	Holding	
Name	**Number of ordinary shares**	**Percentage of share capital**
Teichmann Group:		
Teichmann Company Limited	2,480,262	17.56%
T-Three Drilling (Mauritius) Limited	971,624	6.88%
Gold Finger Investments Ltd	26,000	0.18%
M Houston	144,285	1.02%
C Holton	65,354	0.46%
B Nicolay	43,612	0.31%
A McKinney	54,419	0.39%
Total	**3,785,556**	**26.80%**

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

Directors' Report

9. Auditor

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

10. Annual General Meeting

The Annual General Meeting will take place on 22 July 2021 at 10.00a.m. (BST).

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 £59,500 (2019: £55,417)
TG Leslie - received fees of £19,167 (2019: £10,000)
D Facey - received fees of £59,000 (2019: £56,000)
AT Simbanegavi - received fees of £27,500 (2019: £nil)
A Waugh - received fees of £nil (2019: £40,000) *

** A Waugh resigned as director on 18 September 2019*

Details of share options granted to the Directors during the financial year are set out below:

	Date of grant	Number of shares	Contracual life	Exercise price
MJ Houston	18/02/2020	181,564	5 years	85p
D Facey	18/02/2020	116,404	5 years	85p
AT Simbanegavi	18/02/2020	297,967	5 years	85p

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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

Directors' Report

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 in accordance with international accounting standards in conformity with the requirements 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.

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.

On behalf of the Board

Michael Houston
Executive Chairman
30 June 2021

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 convertible loan note which requires shareholder and regulatory approvals. Additionally, the potential impact on the Group's business of the COVID-19 pandemic and the risk of delays in commissioning and increased production from the new plant may result in the need to raise additional funds should such adverse scenarios materialise. 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:

- We discussed the impact that COVID-19 has had on the Group with Management and the Audit Committee, including the impact of the Government restrictions implemented in South Africa and their assessment of any future risks and uncertainties that are relevant to the Group's business model and operations. We compared this to our own assessment of risks and uncertainties based on our understanding of the business and diamond mining sector.

- As part of our site visit, we inspected and discussed the progress of the construction of the new plant with Management, including 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 reviewed Management'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 given the potential impacts of COVID-19 and the level of uncertainty.

- We critically assessed Management's base case cash flow forecasts, which had been approved by the Board, and challenged Management'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 FY 2021 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 inspected Heads of Terms for the proposed loan facility from one of the Company's shareholders and considered the effect of the conditions precedent associated with the facility. We made inquiries of Management and the Audit Committee as to the basis upon which they anticipate such funding being approved by the shareholders and receipt of regulatory approvals.

- We reviewed and considered the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

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

Overview

Coverage	100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group revenue 100% (2019: 100%) of Group total assets
Key audit matters	<table><tr><td></td><td>**2020**</td><td>**2019**</td></tr><tr><td>Going concern</td><td>Yes</td><td>Yes</td></tr><tr><td>Carrying value of mining assets</td><td>Yes</td><td>Yes</td></tr></table>
Materiality	*Group financial statements as a whole* £58,000m (2019:£62,000m) based on 1.5% (2019:1.5% 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 Limited in South Africa, which includes the Group's mining operations. The remaining component was considered non-significant to the Group audit and we performed analytical review procedures in respect of this component.

A full scope audit for Group reporting purposes was performed on the significant component Kareevlei Mining Limited by a local BDO member firm. BDO LLP 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 remotely with the component auditors and local management at Kareevlei Mining Limited.
- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by their audit, and set out the information to be reported to the Group audit 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 as a result of travel restrictions due to COVID-19.

- We held clearance meetings remotely 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. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report. 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.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of mining assets</td><td>The Group's Kareevlei project non-current assets, as disclosed further in notes 5, 6 and 7 represents the Group’s significant assets as at 31 December 2020. Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the assets at 31 December 2020 may not be recoverable. As detailed in note 3.1.4, there are judgements and inherent uncertainties involved in assessing the mining assets for indicators of impairment.

Management have performed an impairment indicator review under applicable accounting standards and have not identified any indicators of potential impairment.

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.</td><td>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.

As part of our impairment indicator review, 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 potential impairment indicators.
In performing our review:

• 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.

• We compared the Group’s market capitalisation at year end to its net assets.

• 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.</td></tr>
</table>

		• 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 reasonably possible changes in the assumptions. **Key observations** We found Management's judgements used in their assessment of indicators of impairment to be appropriate.

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:

Component	Materiality	Basis for materiality
Group	£58,000 (2019: £62,000)	1.5% of Revenue (2019: 1.5% of Revenue). We consider revenue to be the most significant determinant of the Group's financial performance used by shareholders given the focus on increasing production.
Parent company	£35,000 (2019: £43,000)	Capped at 60% of group materiality (2019: 70% of group materiality) given the assessment of the components aggregation risk.

Performance materiality

Performance materiality was set at 75% (2019: 75%) of the above materiality levels for the group and the parent company being £43,500 and £26,250 (2019: £46,500 and £32,250) respectively. The level of performance materiality was set after considering a number of factors including the expected value of known and likely misstatements and Management's attitude towards proposed misstatements.

Component materiality

Significant components of the group were audited to a lower level of materiality of between £35,000 and £52,200 (2019: £43,000 and £52,000). 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 £2,900 (2019: £1,200). 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.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • 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 • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. 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.
Matters on which we are required to report by exception	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: • 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

	• the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

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 to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, tax 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. Our procedures involved making enquiries of Management 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 with laws and regulations by officers and employees of the Group, inquiring about the Group's methods of enforcing and monitoring compliance with such policies and reviewing board minutes to identify any instances of non-compliance.

- 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 addressed the fraud risk in relation to revenue recognition, testing a sample to supporting documentation, including testing the cut-off of revenue transactions in the period proceeding and preceding year end.

- We addressed the risk of management override of internal controls, including testing a risk based selections 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. 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.

Ryan Ferguson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
30 June 2021

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

Consolidated and Company Statements of Financial Position

Figures in £	Notes	Group 2020	Group 2019	Company 2020	Company 2019*
Assets					
Non-current assets					
Property, plant and equipment	5	2,344,335 `	778,920	-	-
Right-of-use assets	6	520,795	455,381	-	-
Mining assets	7	560,332	406,068	-	-
Investments in subsidiaries	8	-	-	5	5
Other receivables	10	425,319	344,442	10,360,032	8,052,049
Total non-current assets		**3,850,781**	**1,984,811**	**10,360,037**	**8,052,054**
Current assets					
Inventories	9	458,308	837,347	-	-
Trade and other receivables	10	162,163	56,703	136,190	36,676
Cash and cash equivalents (including restricted cash of £214,499 (2019: £223,914))	11	569,962	389,849	537,525	378,062
Total current assets		**1,190,433**	**1,283,899**	**673,715**	**414,738**
Total assets		**5,041,214**	**3,268,710**	**11,033,752**	**8,466,792**
Equity and liabilities					
Equity					
Share capital	12	454,333	162,900	454,333	162,900
Share premium	12	6,885,796	4,147,980	6,885,796	4,147,980
Accumulated loss		(7,223,054)	(5,120,207)	(473,817)	(79,444)
Other reserves	13	3,393,154	3,118,484	3,081,203	3,100,761
Total equity attributable to owners of parent		3,510,229	2,309,157	9,947,515	7,332,197
Non-controlling interests	8	(2,261,809)	(1,764,910)	-	-
Total equity		**1,248,420**	**544,247**	**9,947,515**	**7,332,197**
Liabilities					
Non-current liabilities					
Provisions	14	454,197	302,989	-	-
Borrowings	16	828,300	916,489	465,601	916,490
Lease liabilities	6	551,743	454,508	-	-
Total non-current liabilities		**1,834,240**	**1,673,986**	**465,601**	**916,490**
Current liabilities					
Trade and other payables	15	1,237,563	880,584	111,826	61,407
Borrowings	16	696,206	156,698	508,810	156,698
Lease liabilities	6	24,785	13,195	-	-
Total current liabilities		**1,958,554**	**1,050,477**	**620,636**	**218,105**
Total liabilities		**3,792,794**	**2,724,463**	**1,086,237**	**1,134,595**
Total equity and liabilities		**5,041,214**	**3,268,710**	**11,033,752**	**8,466,792**

* The comparative figures have been restated. Refer to note 10 and 30 for details.

These financial statements were approved by the Board and authorised for issue on 30 June 2021

Michael Houston
Executive Chairman

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Figures in £	Notes	Group 2020	Group 2019
Revenue from contracts with customers	17	3,601,819	4,073,853
Other income		1,062	911
Administrative expenses		(192,137)	(128,326)
Operating expenses		(5,683,454)	(4,418,605)
Other gains	18	853	-
Loss from operating activities	19	**(2,271,857)**	**(472,167)**
Finance income	20	24,209	25,460
Finance costs	21	(248,022)	(192,350)
Other losses	18	(493,138)	(45,187)
Loss before taxation		**(2,988,808)**	**(684,244)**
Income tax expense	22	-	-
Loss for the year		**(2,988,808)**	**(684,244)**
Loss for the year attributable to:			
Owners of Parent		(2,388,532)	(510,722)
Non-controlling interest		(600,276)	(173,522)
		(2,988,808)	**(684,244)**
Other comprehensive loss net of tax			
Components of other comprehensive income that may be reclassified to profit or loss			
Gains on exchange differences on translation		397,605	32,297
Total other comprehensive income		**397,605**	**32,297**
Total comprehensive loss		**(2,591,203)**	**(651,947)**
Comprehensive loss attributable to:			
Owners of parent		(2,094,304)	(486,822)
Non-controlling interests		(496,899)	(165,125)
		(2,591,203)	**(651,947)**
Basic and diluted loss per share			
Basic loss per share	24	(0.35)	(0.21)

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 £680,058 (2019: Loss of £16,850).

Consolidated Statement of Changes in Equity - Group

Figures in £	Share capital	Share premium	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated loss	Attributable to owners of the parent	Non-controlling interests	Total
Balance at 1 January 2019	44,352	3,460,309	2,003,010	(6,177)	333,837	(4,609,485)	1,225,846	(1,599,785)	(373,939)
Changes in equity									
Loss for the year	-	-	-	-	-	(510,722)	(510,722)	(173,522)	(684,244)
Other comprehensive income	-	-	-	23,900	-	-	23,900	8,397	32,297
Total comprehensive income for the year	-	-	-	23,900	-	(510,722)	(486,822)	(165,125)	(651,947)
Issue of equity	118,548	1,450,452	-	-	-	-	1,569,000	-	1,569,000
Share issue expenses	-	(113,214)	-	-	-	-	(113,214)	-	(113,214)
Share-based payments	-	(649,567)	-	-	763,914	-	114,347	-	114,347
Balance at 31 December 2019	**162,900**	**4,147,980**	**2,003,010**	**17,723**	**1,097,751**	**(5,120,207)**	**2,309,157**	**(1,764,910)**	**544,247**
Balance at 1 January 2020	162,900	4,147,980	2,003,010	17,723	1,097,751	(5,120,207)	2,309,157	(1,764,910)	544,247
Changes in equity									
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	-	-	-
Balance at 31 December 2020	**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**
Notes	**12**	**12**	**13**	**13**	**13**				

BlueRock Diamonds Plc

(Registration Number 08248437)
Consolidated and Separate Financial Statements for the year ended 31 December 2020

Statement of Changes in Equity - Company

Figures in £	Share capital	Share premium	Capital redemption reserve	Share-based payment reserve	Accumulated loss	Total
Balance at 1 January 2019	44,352	3,460,309	2,003,010	333,837	(62,594)	5,778,914
Changes in equity						
Loss for the year	-	-	-	-	(16,850)	(16,850)
Total comprehensive income	-	-	-	-	(16,850)	(16,850)
Issue of equity	118,548	1,450,452	-	-	-	1,569,000
Share issue expenses	-	(113,214)	-	-	-	(113,214)
Share-based payments	-	(649,567)	-	763,914	-	114,347
Balance at 31 December 2019	**162,900**	**4,147,980**	**2,003,010**	**1,097,751**	**(79,444)**	**7,332,197**
Balance at 1 January 2020	**162,900**	**4,147,980**	**2,003,010**	**1,097,751**	**(79,444)**	**7,332,197**
Changes in equity						
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 lapsed options to accumulated loss	-	-	-	(285,685)	285,685	-
Balance at 31 December 2020	**454,333**	**6,885,796**	**2,003,010**	**1,078,193**	**(473,817)**	**9,947,515**
Note	**12**	**12**	**13**	**13**		

Consolidated and Company Statements of Cash Flows

Figures in £	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Cash flows used in operations					
Cash used in operations	26	(1,025,363)	(362,022)	(530,401)	(488,330)
Net cash flows used in operations		**(1,025,363)**	**(362,022)**	**(530,401)**	**(488,330)**
Cash flows used in investing activities					
Proceeds from sales of property, plant and equipment		2,889	-	-	-
Purchase of property, plant and equipment		(1,268,083)	(569,367)	-	-
Increase in loan advanced to group company	10	-	-	(2,030,802)	(715,868)
Movement in rehabilitation guarantee	10	(101,888)	(286,984)	-	-
Cash flows used in investing activities		**(1,367,082)**	**(856,351)**	**(2,030,802)**	**(715,868)**
Cash flows from financing activities					
Proceeds from issuing shares (net of fees: £132,685 (2019: £108,214))		2,895,784	1,448,786	2,895,784	1,448,786
Repayments of borrowings	26	(245,237)	(142,262)	(156,892)	(142,262)
Repayments of lease liabilities	26	(66,380)	(63,545)	-	-
Increase in restricted cash		(8,811)	(13,786)	(8,811)	(13,786)
Cash flows from financing activities		**2,575,356**	**1,229,193**	**2,730,081**	**1,292,738**
Net increase in cash and cash equivalents		**182,911**	**10,820**	**168,878**	**88,540**
Exchange rate changes on cash and cash equivalents		6,617	(13,066)	-	-
Net increase / (decrease) in cash and cash equivalents		**189,528**	**(2,246)**	**168,878**	**88,540**
Cash and cash equivalents at beginning of year		165,935	168,181	154,148	65,608
Cash and cash equivalents at end of year	**11**	**355,463**	**165,935**	**323,026**	**154,148**

Accounting Policies

1. Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements 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 International Financial Reporting Standards 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 has prepared forecasts covering the period to 31 December 2022. Appropriate diligence has been applied by the directors who believe that the forecasts are prepared on a realistic basis using the best available information. The Group had cash balances of £156,000, a further £202,000 due from Teichmann (in accordance with the terms of their February 2021 share subscription), together with approximately 2,133 carats of diamonds and 267 carats of diamonds held in concentrate form and no bank debt at 28 June 2021. However, there remains a balance of £550,095 on the loan for some of the new plant equipment. The forecasts include repaying 50% of the existing Convertible Loans in October 2021 (£462,500) and assume the Group will exercise the option to extend the remaining 50% until October 2022. The forecasts also assume that the Group will receive the amount due under the Teichmann Group loan note as detailed below.

Heads of Terms have been agreed with the Teichmann Group for a £1.61m loan note with the intention that this will be replaced by a convertible loan note ('CLN'). Under the Heads of Terms, the initial loan will have a short term expiring on 31 August 2021. The funds are due to be received in 12 equal monthly instalments and the first payment was received in June 2021. It is expected that the initial loan (of which only three instalments will have been received) will be refinanced through the future issue of the CLN to Teichmann. The proposed CLN will not be issued by the Company until shareholders have approved additional Company authorities to issue new shares. In addition, the Company is applying to The Panel on Takeovers and Mergers for a waiver of the obligation, that might arise on the exercise of the conversion rights under the CLN, for Teichmann (and its concert party) under Rule 9 of the Takeover Code to make a mandatory offer for the Company, subject to the approval of independent shareholders in accordance with Appendix 1 of the Takeover Code (the "Waiver"). In the event that the CLN is not issued by 31 August 2021, being the term of the initial loan, BlueRock will be required to repay the higher of a) all amounts invested by Teichmann plus the interest on the entire amount of the loan that would have accrued over a three and a half year period; or b) all amounts invested by Teichmann plus the market value of such shares as would have been issued should the CLN have been issued, been converted and run for its full term less the principal amount invested. Therefore, until the CLN has been issued, there remains an uncertainty regarding the receipt of the remaining funds due under the Teichmann Group Loan, and the potential of repayments being due to Teichmann.

The COVID-19 pandemic resulted in the mine being forced to close for a period of 46 days in 2020 plus a weakening in the market value of diamonds, both of which had an impact on the Group's operating results for FY2020. Although the Board is not anticipating any future impact of the severity seen in 2020, in making its going concern assessment, the Board has considered the increased level of uncertainty resulting from COVID-19. Cases in the Northern Cape are currently high and, although the Group is compliant with local COVID-19 protocols, there can be no certainty that COVID-19 will not impact on future production.

The new plant is nearing completion, and although the Board is confident that it will soon be operating at full capacity, there remains the risk that the completion of the new plant is delayed and that production levels do not increase at the expected levels which may require higher levels of working capital than expected.

Accounting Policies

Basis of preparation continued...

After review of these uncertainties, the Directors have a reasonable expectation that the Group has 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 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 CLN to Teichmann, the potential future impact of COVID-19 and the completion of the new plant, which could result in additional funding being required, 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.

Accounting Policies

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.

Accounting Policies

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each reporting date.

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.

Accounting Policies

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.

Accounting Policies

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:

Asset class	Measurement base	Method
Mine infrastructure	Cost	Units of production
Leasehold improvements	Cost	Term of lease
Plant and Machinery	Cost	3-5 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 reserves and resources which have sufficient geological and geophysical certainty and are economically viable. The relevant 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.

Accounting Policies

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, 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.

Included under trade and other payables are income in advance. Income received in advance refers to advances received at year end in respect of future diamond sales. On tender award, revenue for the sale of diamonds are recorded and the liability extinguished.

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.

Accounting Policies

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. 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.

Accounting Policies

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 first-in-first-out formula.

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.

Accounting Policies

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 disclosed as part of 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.

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.

Accounting Policies

Summary of significant accounting policies continued...

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.

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.

Accounting Policies

Summary of significant accounting policies continued...

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.

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.

Accounting Policies

Summary of significant accounting policies continued...

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.

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.

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.

Accounting Policies

Summary of significant accounting policies continued...

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 and the non-distributable redemption reserve for cancelled deferred shares charge
• 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.

3.1.2 Valuation of embedded derivatives

There is an adjustable conversion feature within the convertible loan agreement 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 £21,718 (2019: £10,359). Further details can be found in note 16.

3.1.3 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.

Critical accounting estimates and judgements continued...

3.1.4 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 2020 and therefore no impairment is considered to be appropriate. However, such headroom is dependent on achieving increases in production by upgrading the plant. However, the directors consider the forecasted production levels to be achievable best estimates.

3.1.5 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.

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

3.1.6 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.

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.

Accounting Policies

Critical accounting estimates and judgements continued...

No stripping costs were capitalised during the current financial year as the waste stripping ratio was below the estimated average strip ratio for the relevant sections of the ore body based on the existing medium term detailed mine plans, as the primary benefit of the stripping was access to ore mined in the period. Whilst there may be a longer term benefit through access to deeper sections of the ore body the Board concluded that the criteria for recognition under the Group's accounting policy were not met having considered the absence of a defined measured and indicated resource and consideration of the longer term mine planning status. All stripping costs incurred during the period were charged to the statement of profit or loss.

3.1.7 Contingent liabilities

The Group is subject to claims by a former director and companies related to that former director totalling £238,788. Whilst fully disputing the claims, the Group maintains liabilities to the claimants of £183,364 as disclosed in note 15. The Group has placed £214,499 (2019: £223,914) 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.

3.2 Critical judgements in applying the entity's accounting policies

3.2.1 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 company 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.

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.

3.2.2 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.

Accounting Policies

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 2020 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.

Amendments and New Standards	Description
The Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform – Phase 1
Amendments to IFRS 16	COVID-19 Related Rent Concessions

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.

Amendments and New Standards	Description	Effective date*
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2022
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 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*

5. Property, plant and equipment

5.1 Balances at year end and movements for the year

	Leasehold improvements	Plant and Machinery	Motor vehicles	Total
Reconciliation for the year ended 31 December 2020 - Group				
Balance at 1 January 2020				
At cost	5,067	1,809,364	44,700	**1,859,131**
Accumulated depreciation	-	(1,056,986)	(23,225)	**(1,080,211)**
Net book value	**5,067**	**752,378**	**21,475**	**778,920**
Movements for the year ended 31 December 2020				
Additions	-	1,754,985	8,047	**1,763,032**
Depreciation	(443)	(216,653)	(4,225)	**(221,321)**
Disposals	-	(439)	-	**(439)**
Exchange differences - Cost	(391)	(44,067)	(3,734)	**(48,192)**
Exchange differences - Accumulated depreciation	(24)	70,074	2,285	**72,335**
Property, plant and equipment at end of year	**4,209**	**2,316,278**	**23,848**	**2,344,335**
Closing balance at 31 December 2020				
At cost	4,676	3,513,434	35,754	**3,553,864**
Accumulated depreciation	(467)	(1,197,156)	(11,906)	**(1,209,529)**
Net book value	**4,209**	**2,316,278**	**23,848**	**2,344,335**
Reconciliation for the year ended 31 December 2019 - Group				
Balance at 1 January 2019				
At cost	-	1,304,188	67,503	**1,371,691**
Accumulated depreciation	-	(781,426)	(19,462)	**(800,888)**
Net book value	**-**	**522,762**	**48,041**	**570,803**
Movements for the year ended 31 December 2019				
Additions	5,069	512,185	12,498	**529,752**
Depreciation	-	(279,749)	(6,075)	**(285,824)**
Transfer of right-of-use-assets on 1 January 2019 - Cost	-	-	(35,128)	**(35,128)**
Transfer of right-of-use-assets on 1 January 2019 - Accumulated depreciation	-	-	2,220	**2,220**
Exchange differences - Cost	(2)	(7,008)	(174)	**(7,184)**
Exchange differences - Accumulated depreciation	-	4,188	93	**4,281**
Property, plant and equipment at the end of the year	**5,067**	**752,378**	**21,475**	**778,920**
Closing balance at 31 December 2019				
At cost	5,067	1,809,364	44,700	**1,859,131**
Accumulated depreciation	-	(1,056,986)	(23,225)	**(1,080,211)**
Net book value	**5,067**	**752,378**	**21,475**	**778,920**

Property, plant and equipment continued...

5.2 Additional disclosures

Assets whose title is restricted and pledged as security	**Group 2020**	**Group 2019**	**Company 2020**	**Company 2019**
The carrying values of assets pledged as security is as follows:				
Plant and Machinery	94,103	102,242	-	-

Plant and equipment to the value of £94,103 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 Proprietory Limited for 1.00 South African Rand, see note 16 for further detail.

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
As at 31 December 2020			
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)
At 31 December 2020	**490,767**	**30,028**	**520,795**
Closing balance at end of year			
At cost	592,565	35,444	628,009
Accumulated depreciation	(101,798)	(5,416)	(107,214)
At 31 December 2020	**490,767**	**30,028**	**520,795**
As at 31 December 2019			
At 1 January 2019 on adoption of IFRS16	197,142	32,907	230,049
Additions	20,151	-	20,151
Decrease through net exchange differences	(1,127)	(170)	(1,297)
Depreciation	(51,229)	(2,651)	(53,880)
Effect of modification in lease terms	260,358	-	260,358
At 31 December 2019	**425,295**	**30,086**	**455,381**
Closing balance at end of year			
At cost	476,501	34,945	511,446
Accumulated depreciation	(51,206)	(4,859)	(56,065)
At 31 December 2019	**425,295**	**30,086**	**455,381**
Lease liabilities			
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)
At 31 December 2020	**549,264**	**27,264**	**576,528**
Lease liabilities			
Current	17,687	7,098	24,785
Non-current	531,577	20,166	551,743
At 31 December 2020	**549,264**	**27,264**	**576,528**

Leases continued...

As at 31 December 2019			
At 1 January 2019 on adoption of IFRS16	197,142	31,689	228,831
Additions	20,151	-	20,151
Finance costs	19,446	3,759	23,205
Effect of modification in lease terms	260,358	-	260,358
Lease payments	(55,178)	(8,367)	(63,545)
Decrease through net exchange differences	(1,134)	(163)	(1,297)
At 31 December 2019	**440,785**	**26,918**	**467,703**

Lease liabilities			
Current	7,966	5,229	13,195
Non-current	432,819	21,689	454,508
At 31 December 2019	**440,785**	**26,918**	**467,703**

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

	Group 2020	**Group 2019**
Depreciation on right-of-use assets	55,030	53,880
Interest expense relating to lease liabilities	51,376	23,205
Short term lease expenses	395,234	210,596

6.3 Amounts recognised in the statement of cash flows

	Group 2020	**Group 2019**
Total cash outflow for leases	66,380	63,545

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.

Notes to the Annual Report and Financial Statements

Figures in £

7. Mining assets

Reconciliation of changes in mining assets

	Mining assets	Total
Reconciliation for the year ended 31 December 2020 - Group		
Balance at 1 January 2020		
At cost	518,858	**518,858**
Accumulated amortisation	(112,790)	**(112,790)**
Net book value	**406,068**	**406,068**

Movements for the year ended 31 December 2020	**Mining assets**	**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	**560,332**	**560,332**
Closing balance at 31 December 2020		
At cost	697,980	**697,980**
Accumulated amortisation	(137,648)	**(137,648)**
Net book value	**560,332**	**560,332**

Reconciliation for the year ended 31 December 2019 - Group	**Mining assets**	**Total**
Balance at 1 January 2019		
At cost	384,380	**384,380**
Accumulated amortisation	(81,003)	**(81,003)**
Net book value	**303,377**	**303,377**
Movements for the year ended 31 December 2019		
Additions	136,537	**136,537**
Amortisation	(32,223)	**(32,223)**
Exchange differences - Cost	(2,059)	**(2,059)**
Exchange differences - Accumulated amortisation	436	**436**
Mining assets at end of period	**406,068**	**406,068**

Closing balance at 31 December 2019	**Mining assets**	**Total**
At cost	518,858	**518,858**
Accumulated amortisation	(112,790)	**(112,790)**
Net book value	**406,068**	**406,068**

For further details on the mining rehabilitation provision see note 14.

Notes to the Annual Report and Financial Statements

Figures in £

8. Investments in subsidiaries

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

	Company 2020	Company 2019
Investments in subsidiaries	5	5
Investments in subsidiaries	**5**	**5**

8.2 Investment in subsidiaries

8.2.1 Details of the group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and business
Kareevlei Mining Proprietory Limited	Diamond Mining	South Africa
Diamond Resources Proprietory Limited	Diamond Mining	South Africa

8.2.2 Voting rights:

	Interest 2020	Carrying value 2020	Interest 2019	Carrying value 2019
Kareevlei Mining Proprietory Limited	74.00%	5	74.00%	5
Diamond Resources Proprietory Limited	100.00%	-	100.00%	-

8.2.3 Summary of Group's interest in subsidiaries

	Kareevlei Mining Proprietory Limited	Diamond Resources Proprietory Limited
At 31 December 2020		
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)	-
At 31 December 2019		
Total assets	2,853,970	-
Total liabilities	(9,641,908)	-
Retained losses	(6,120,545)	-
Revenue	4,064,853	-
Loss after tax	(667,393)	-

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Investments in subsidiaries continued...

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 2020	Group 2019	Company 2020	Company 2019
Consumable stores	13,820	15,167	-	-
Work in progress	137,735	294,880	-	-
Diamonds on hand	306,753	527,300	-	-
	458,308	**837,347**	**-**	**-**

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

10. Trade and other receivables

10.1 Trade and other receivables comprise:

	Group 2020	Group 2019	Company 2020	Company 2019 (as restated*)
Current				
Other receivables	122,139	1,384	122,139	1,166
Prepaid expenses	9,032	4,830	2,509	2,816
Value added tax	30,992	50,489	11,542	32,694
Total current receivables	**162,163**	**56,703**	**136,190**	**36,676**
Non-Current				
Other receivables (i)	425,319	344,442	575,674	496,474
Amounts due by subsidiary (ii)	-	-	9,784,358	7,555,575
Total non-current receivables	**425,319**	**344,442**	**10,360,032**	**8,052,049**

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.

* The 2019 classification of the management fees receivable- and amounts due from Kareevlei Mining Proprietary Limited, have been changed from current to non-current. See note 30 for further details.

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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Trade and other receivables continued...

10.2 Items included in trade and other receivables not classified as financial instruments	Group 2020	Group 2019	Company 2020	Company 2019
Prepaid expenses	9,032	4,830	2,509	2,816
Value added tax	30,992	50,489	11,542	32,694
Total non-financial instruments included in trade and other receivables	40,024	55,319	14,051	35,510
Total trade and other receivables excluding non-financial assets included in trade and other receivables	547,458	345,826	10,482,171	8,053,215
Total trade and other receivables	**587,482**	**401,145**	**10,496,222**	**8,088,725**

11. Cash and cash equivalents (including restricted cash)

11.1 Cash and cash equivalents comprise:	Group 2020	Group 2019	Company 2020	Company 2019
Cash				
Cash on hand	136	471	-	-
Balances with banks	569,826	389,378	537,525	378,062
Total cash	**569,962**	**389,849**	**537,525**	**378,062**
Total cash and cash equivalents included in current assets	**569,962**	**389,849**	**537,525**	**378,062**

Cash and cash equivalents in the Consolidated Statement of Cash flows excludes restricted cash of £214,499 (2019: £223,914).

11.2 Cash and cash equivalents where availability is restricted

Bank balances to the value of £214,499 (2019: £223,914) 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.

12. Share capital

Authorised and issued share capital	**Group 2020**	**Group 2019**	**Company 2020**	**Company 2019**
Issued				
9,086,657 (2019: 3,258,004) Ordinary shares of 5p (2019: 5p) each	454,333	162,900	454,333	162,900
Share premium	6,885,796	4,147,980	6,885,796	4,147,980
	7,340,129	**4,310,880**	**7,340,129**	**4,310,880**

Share reconciliation

Details of issue	**Date**	**Number of ordinary shares**	**Share capital £**	**Share premium £**
Opening balance	01/01/2020	3,258,004	162,900	4,147,980
Placing and equity issue	18/02/2020	2,000,000	100,000	1,600,000
Placing and equity issue expenses	18/02/2020	-	-	(76,760)
Placing and equity issue	16/07/2020	3,806,718	190,336	1,259,660
Placing and equity issue expenses	16/07/2020	-	-	(55,925)
Issue of shares as repayment of loan facility	06/10/2020	21,935	1,097	10,841
Shares outstanding - closing		**9,086,657**	**454,333**	**6,885,796**

Details of warrants issued

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

Issued during 2019
On 11 February 2019 1 warrant was issued for each ordinary share issued on that date. A total of 383,333 warrants were issued and exercisable at 200p for a period of 2 years.

On 16 May 2019 1 warrant was issued for each ordinary share issued on that date. A total of 1,974,000 warrants were issued and exercisable at 100p for a period of 2 years.

Refer to note 27.4 for details of warrants issued to directors as part of the share placements on the above dates.

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

The fair value per warrant issue during 2019 and the assumptions used in the calculation are shown below:

Date of issue:	**11/02/2019**	**16/05/2019**
Number of warrants issued	383,333	1,974,000
Average grant date share price (p)	155	67.50
Average exercise price (p)	200.00	100.00
Share price volatility (p.a)	73.16%	85.71%
Risk-free interest rate (p.a)	0.72%	0.73%
Dividend yield (p.a)	0	0
Average contractual life (years)	2	2
Average fair value per option (p)	50.19	23.89

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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
Group				
Movement:				
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)
Balance 31 December 2020	**2,003,010**	**311,951**	**1,078,193**	**3,393,154**

	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Movement:				
Balance 1 January 2019	2,003,010	(6,177)	333,837	2,330,670
Other comprehensive expense	-	32,297	-	32,297
Non-controlling interests	-	(8,397)	-	(8,397)
Share-based payments	-	-	763,914	763,914
Balance 31 December 2019	**2,003,010**	**17,723**	**1,097,751**	**3,118,484**

Company				
Movement:				
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)
Balance 31 December 2020	**2,003,010**	**-**	**1,078,193**	**3,081,203**

Movement:	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Balance 1 January 2019	2,003,010	-	333,837	2,336,847
Share-based payments	-	-	763,914	763,914
Balance 31 December 2019	**2,003,010**	**-**	**1,097,751**	**3,100,761**

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	2020	2019
Average rate	ZAR to GBP	21.07	18.43
Year end	ZAR to GBP	19.98	18.44

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 2020	Group 2019	Company 2020	Company 2019
Rehabilitation cost provision	454,197	302,989	-	-

14.2 Reconciliation of provisions

	Provision for rehabilitation
Balance at 1 January 2020 - Group	**302,989**
Change in estimate	137,779
Unwinding of discount rate	27,761
Exchange differences	(14,332)
Total changes	151,208
Balance at 31 December 2020	**454,197**
Balance at 1 January 2019 - Group	**204,840**
Change in estimate	77,630
Unwinding of discount rate	21,629
Exchange differences	(1,110)
Total changes	98,149
Balance as at 31 December 2019	**302,989**

Provisions continued...

14.3 Details of provisions

Provision for rehabilitation

The provision for environmental rehabilitation closure cost was independently assessed by Ndi Mudau of NDI Geological Consulting Services. 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 2021.

In determining the amounts attributable to the rehabilitation provision at the Kareelvei mining area, management used a discount rate of 7% (31 December 2019: 10%), estimated rehabilitation timing of 10 years (31 December 2019: 10 years) and an inflation rate of 4.37% (31 December 2019: 4.9%).

15. Trade and other payables

15.1 Trade and other payables comprise:

	Group 2020	Group 2019	Company 2020	Company 2019
Trade payables	1,068,671	737,541	45,643	28,007
Accrued liabilities	147,116	119,447	66,183	33,400
Account due to former Director	21,776	23,596	-	-
Total trade and other payables	**1,237,563**	**880,584**	**111,826**	**61,407**

An amount of £161,588 (2019: £175,092) 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 £21,776 (2019: £23,596) 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

	Group 2020	Group 2019	Company 2020	Company 2019
Total trade and other payables excluding non-financial liabilities included in trade and other payables	1,237,563	880,584	111,826	61,407

16. Borrowings

16.1 Carrying amount of borrowings by category

	Designated at fair value	At amortised cost	Total
Year ended 31 December 2020 - Group			
Convertible loans (i)	-	815,539	**815,539**
Loan facilities (ii)	-	687,249	**687,249**
Embedded derivative (i)	21,718	-	**21,718**
Components listed under borrowings on the consolidated and company statements of financial position	**21,718**	**1,502,788**	**1,524,506**
Trade and other payables excluding non-financial liabilities (Note 15)	-	1,237,563	**1,237,563**
Components listed separately on the consolidated and company statements of financial position	**-**	**1,237,563**	**1,237,563**
	21,718	**2,740,351**	**2,762,069**
Borrowings comprise the following on the consolidated and company statements of financial position:			
Current portion	6,244	689,962	**696,206**
Non-current portion	15,474	812,826	**828,300**
	21,718	**1,502,788**	**1,524,506**
Year ended 31 December 2019 - Group			
Convertible loans (i)	-	776,704	**776,704**
Loan facilities (ii)	-	286,125	**286,125**
Embedded derivative (i)	10,359	-	**10,359**
Components listed under borrowings on the consolidated and company statements of financial position	**10,359**	**1,062,829**	**1,073,188**
Trade and other payables excluding non-financial liabilities (Note 15)	-	880,584	**880,584**
Components listed separately on the consolidated and company statements of financial position	**-**	**880,584**	**880,584**
	10,359	**1,943,413**	**1,953,772**

Borrowings comprise the following on the consolidated and company statements of financial position:	**Designated at fair value**	**At amortised cost**	**Total**
Current portion	-	156,698	**156,698**
Non-current portion	10,359	906,131	**916,490**
	10,359	**1,062,829**	**1,073,188**

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Borrowings continued...

	Designated at fair value	At amortised cost	Total
Year ended 31 December 2020 - Company			
Convertible loans (i)	-	815,539	**815,539**
Loan facilities (il)	-	137,154	**137,154**
Embedded derivative (i)	21,718	-	**21,718**
Components listed under borrowings on the consolidated and company statements of financial position	**21,718**	**952,693**	**974,411**
Trade and other payables excluding non-financial liabilities (Note 15)	-	111,825	**111,825**
Components listed separately on the consolidated and company statements of financial position	**-**	**111,825**	**111,825**
	21,718	**1,064,518**	**1,086,236**
Borrowings comprise the following on the consolidated and company statements of financial position:			
Current portion	6,244	502,566	**508,810**
Non-current portion	15,474	450,127	**465,601**
	21,718	**952,693**	**974,411**

Year ended 31 December 2019 - Company	Designated at fair value	At amortised cost	Total
Convertible loans (i)	-	776,704	**776,704**
Loans facilities (ii)	-	286,125	**286,125**
Embedded derivative (i)	10,359	-	**10,359**
Components listed under borrowings on the consolidated and company statements of financial position	**10,359**	**1,062,829**	**1,073,188**
Trade and other payables excluding non-financial liabilities (Note 15)	-	61,407	**61,407**
Components listed separately on the consolidated and company statements of financial position	**-**	**61,407**	**61,407**
	10,359	**1,124,236**	**1,134,595**
Borrowings comprise the following on the consolidated and company statements of financial position:			
Current portion	-	156,698	**156,698**
Non-current portion	10,359	906,131	**916,490**
	10,359	**1,062,829**	**1,073,188**

Borrowings continued...

i) Convertible loans and embedded derivative

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

	Embedded derivative	Convertible loans	Total
Balance 1 January 2019	12,463	706,094	**718,557**
Finance charge: unwinding of discount factor	-	70,610	**70,610**
Fair value adjustment to embedded derivative	(2,104)	-	**(2,104)**
Balance 31 December 2019	**10,359**	**776,704**	**787,063**
Finance charge: unwinding of discount factor	-	38,835	**38,835**
Fair value adjustment to embedded derivative	11,359	-	**11,359**
Balance 31 December 2020	**21,718**	**815,539**	**837,257**

At 31 December 2020 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 has an option, at their own discretion, to increase the initial term by a further 12 months.

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 February 2021, the current conversion price is 93p.

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

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%.

Borrowings continued...

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

ii) Loan facilities

Loan facilities comprise the following:	Group 2020	Group 2019	Company 2020	Company 2019
Loan: M Poole	72,013	116,998	72,013	116,998
Loan: A Waugh	65,141	169,127	65,141	169,127
Loan: Numovista Pty Ltd	550,095	-	-	-
	687,249	**286,125**	**137,154**	**286,125**
Current portion	301,610	156,698	114,214	156,698
Non-current portion	385,639	129,427	22,940	129,427
	687,249	**286,125**	**137,154**	**286,125**

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.

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 2020 an interest charge of £9,716 (2019: £10,701) was recognised on the total capital drawn down. Outstanding at the period ended 31 December 2020 was £68,308 capital and £3,705 interest.

A Waugh

BlueRock Diamonds Plc and its subsidiary Kareevlei Mining Proprietory Limited entered into a loan agreement with Adam Waugh (Former Non-Executive Director) on 17 August 2018. The loan was fully drawn down on 17 August 2018. The Loan will only be available to satisfy any final determination of any further claim that Mr CB Visser brings. Refer to note 15 and 27 for further details of the claims instituted by Mr Visser.

The principal amount of the loan is £181,400. The key provisions of the loan are as follows:

- a term of up to three years, but pre-payable in full or in part at any time at the option of the Company;
- an arrangement fee of 5 percent of the loan principal;
- interest payable of 11 percent per annum on the loan principal payable quarterly, 6 percent payable in cash and the remaining 5 percent payable by a combination of cash and shares (at the Company's sole discretion);
- a repayment premium at an amount equal to 2 percent of the loan principal per month that the loan is outstanding, payable on repayment of the loan in full or in part to be satisfied half in cash and half in shares, at the mid-market price at the time of the relevant repayment, or cash (at the Company's sole discretion);
- and that in the event that the Company raises further funds, preference is given to repaying the loan. It will be the Board's intention to repay the Loan as soon as practicable

On 16 May 2019 it was further agreed with Adam Waugh to repay his loan in £30,000 quarterly instalments in arrears commencing on 31 August 2019.

Borrowings continued...

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%.

16.2 Financial liability maturity analysis

	Between 3 months and 1 year	Between 2 and 5 years	Over 5 years	Total
Year ended 31 December 2020 - Group				
Trade and other payables excluding non-financial liabilities (Note 15)	1,237,563	-	-	**1,237,563**
Convertible loan	388,352	427,187	-	**815,539**
Loan facilities	301,610	385,639	-	**687,249**
Embedded derivative	6,244	15,474	-	**21,718**
Lease liabilities	24,785	179,889	371,854	**576,528**
	1,958,554	**1,008,189**	**371,854**	**3,338,597**
Year ended 31 December 2019 - Group				
Trade and other payables excluding non-financial liabilities (Note 15)	880,584	-	-	**880,584**
Convertible loan	-	776,704	-	**776,704**
Loan facilities	156,698	129,427	-	**286,125**
Embedded Derivative	-	10,359	-	**10,359**
Lease liabilities	13,195	110,607	343,901	**467,703**
	1,050,477	**1,027,097**	**343,901**	**2,421,475**
Year ended 31 December 2020 - Company				
Trade and other payables excluding non-financial liabilities (Note 15)	111,826	-	-	**111,826**
Convertible loan	388,352	427,187	-	**815,539**
Loan facilities	114,214	22,940	-	**137,154**
Embedded Derivative	6,244	15,474	-	**21,718**
	620,636	**465,601**	**-**	**1,086,237**
Year ended 31 December 2019 - Company				
Trade and other payables excluding non-financial liabilities (Note 15)	61,407	-	-	**61,407**
Convertible loan	-	776,704	-	**776,704**
Loan facilities	156,698	129,427	-	**286,125**
Derivatives	-	10,359	-	**10,359**
	218,105	**916,490**	**-**	**1,134,595**

17. Revenue from contracts with customers

17.1 Revenue comprises:

	Group 2020	Group 2019
Sale of diamonds	3,601,819	4,073,853

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 £3,850,781 (2019: £1,984,809). All 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.

18. Other gains and losses

Other gains and losses comprise:	Group 2020	Group 2019
Gain or loss on disposal of assets	853	-
Gain or loss on foreign exchange differences	(481,779)	(47,291)
Fair value (loss)/gains on derivatives	(11,359)	2,104
Total other gains and losses	**(492,285)**	**(45,187)**

19. Loss from operating activities

Loss from operating activities includes the following separately disclosable items	Group 2020	Group 2019
Operating expenses		
Operational and direct costs	3,761,554	3,585,514
Property plant and equipment		
- depreciation	221,321	285,824
Right-of-use assets		
- depreciation	55,030	53,880
Mining assets		
- amortisation	31,821	32,223
Inventory on hand		
- Diamond stock movement	170,535	(337,003)
- Stockpiles and consumables movement	127,593	(310,184)
Share-based payments		
- Equity-settled share-based payments	266,127	114,348
Staff costs	1,107,426	991,514
Auditor's remuneration		
Audit fees - audit of financial statements	60,400	35,350
Audit fees - audit of accounts of subsidiary of company	32,386	8,460
Other audit-related services - Interim review	-	5,125
Other services - Agreed upon procedures	-	1,845
	92,786	50,780

Staff numbers and costs	Group 2020	Group 2019	Company 2020	Company 2019
Directors' remuneration	165,233	161,417	165,233	161,417
Staff salaries	942,193	830,097	20,440	4,050
	1,107,426	991,514	185,673	165,467

Refer to note 27.3 for further details of directors' remuneration.

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

	2020 Number	2019 Number
Directors	4	4
Administration and production	86	60
	90	64

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20. Finance income

Finance income comprises:	Group 2020	Group 2019
Interest received from financial institutions	24,209	25,460

21. Finance costs

Finance costs included in profit or loss:	Group 2020	Group 2019
Finance charges - trade and other payables	9,424	8,578
Finance charges - loan facilities	64,816	30,863
Finance charges - convertible loan notes	38,835	70,610
Finance charges - leases	51,376	23,205
Finance charges - provisions	27,761	2,337
Finance charges - financial institutions	55,810	56,757
Total finance costs	**248,022**	**192,350**

22. Income tax expense

22.1 Income tax recognised in profit or loss:	Group 2020	Group 2019
Deferred tax		
Originating and reversing temporary differences	-	-

22.2 The income tax for the year can be reconciled to accounting loss as follows:	Group 2020	Group 2019
Loss before tax from operations	(2,988,808)	(684,244)
Income tax calculated at 19% (2019: 19%)	(567,874)	(130,006)
Tax effect of		
- Differences in rates (South African tax)	(207,788)	(60,065)
- (Income)/Expenses not deductible for tax purposes	253,132	244,664
Unrecognised tax losses and timing differences	522,530	(54,593)
Tax charge	**-**	**-**

The group has tax losses carried forward of £3,329,158 (2019: £2,921,732) for which no deferred tax asset is recorded given insufficient certainty regarding the timing of future taxable profits.

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 4	01/05/2016	1,552	4 years	5,500p
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 4 and 5 have fully vested. All options in Tranche 4 lapsed during the period.

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 2020	Options 2020	Weighted average exercise price in pence 2019	Options 2019
Outstanding at the beginning of the period	132.77	234,066	2,235	22,961
Granted during the period	85.00	595,935	50.00	228,060
Expired during the period	5,500.00	(1,551)	688.70	(16,955)
Outstanding at the end of the period	**132.77**	**828,450**	**132.77**	**234,066**
Exercisable at the end of the period	92.65	362,835	211.39	120,037

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.

The fair value per option of options granted during the current period and 2019 and the assumptions used in the calculation 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 2020 was £266,127 (2019: £114,348) in relation to share options.

24. Earnings per share

24.1 Basic earnings per share

	Group 2020	Group 2019
Loss for the year attributable to owners of the company	(2,388,532)	(510,722)
Weighted average number of ordinary shares	6,753,581	2,470,871
Basic loss per share	(0.35)	(0.21)

24.2 Additional disclosures

Share options granted to directors could potentially dilute EPS in the future but are not included in a dilutive EPS calculation because they are antidilutive for the period.

25. Contingent liabilities

Dispute with former director	Group 2020	Group 2019	Company 2020	Company 2019
Estimated financial effect	55,424	60,067	55,424	60,067

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 £238,788 of which £183,364 has been accounted for under trade and other payables. The Group has given security for the amount of £214,499 in respect of the above claim. This security is held in trust by the group's lawyers. The company's legal advisors are of the opinion that based on current available information, the claims are without merit.

26. Cash used in operations	Group 2020	Group 2019	Company 2020	Company 2019
(Loss)/profit before taxation	(2,988,808)	(684,244)	(680,058)	(16,850)
Adjustments for non-cash items				
Interest accrued on group loan	-	-	(615,074)	(694,076)
Interest accrued on convertible loan notes	38,835	70,609	38,835	70,609
Interest accrued on borrowings and leases	116,193	54,067	19,860	30,862
Interest on rehabilitation provision	27,761	2,337	-	-
Decrease / (increase) in inventories	298,127	(647,188)	-	7,352
Decrease / (increase) in trade and other receivables	14,910	15,024	(57,187)	(44,466)
Increase in trade and other payables	401,035	295,912	50,419	2,675
Depreciation and amortisation	308,172	371,927	-	-
Share-based payments	266,127	114,347	266,127	114,347
Fair value movement on derivatives	11,359	(2,104)	11,359	(2,104)
Foreign exchange movements	481,779	47,291	435,318	43,321
Gains on disposal of property, plant and equipment	(853)	-	-	-
Total non-cash adjustments	**1,963,445**	**322,222**	**149,657**	**(471,480)**
Cash used in operations	**(1,025,363)**	**(362,022)**	**(530,401)**	**(488,330)**

Reconciliation of liabilities from financing	**Loans and borrowings**	**Lease liabilities**	**Total**
Group:			
At 1 January 2019	404,525	228,831	633,356
Cash flows:			
Draw down	-	-	-
Repayment	(142,262)	(63,545)	(205,807)
Non-cash flows:			
Loans converted into share capital	(7,000)	-	(7,000)
Financial liabilities raised and modifications	-	280,509	280,509
Interest accruing	30,862	23,205	54,067
Decrease through net exchange differences	-	(1,297)	(1,297)
At 31 December 2019	**286,125**	**467,703**	**753,828**
Cash flows:			
Draw down	-	-	-
Repayment	(245,237)	(66,380)	(311,617)
Non-cash flows:			
Loans converted into share capital	(11,938)	-	(11,938)
Financial liabilities raised and modifications	593,482	151,655	745,137
Interest accruing	64,817	51,376	116,193
Decrease through net exchange differences	-	(27,826)	(27,826)
At 31 December 2020	**687,249**	**576,528**	**1,263,777**

All movements on convertible loan notes and derivatives were non-cash. The Company figures comprise the loans and borrowings above, excluding leases liabilities.

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 Proprietory Limited
	Diamond Resources Proprietory Limited
Teichmann Company Limited	Significant shareholder in BlueRock Diamonds Plc
Numovista Pty Ltd	Common shareholder with significant influence

Related parties continued...

27.2 Related party transactions and balances	Group 2020	Group 2019	Company 2020	Company 2019
Loan account - Owing by related party				
Kareevlei Mining Proprietory Limited	-	-	9,784,358	7,555,575
Management fees owing by related party				
Kareevlei Mining Proprietory Limited	-	-	575,674	496,474
Trade payables due to related party				
Teichmann Company Limited	277,436	179,054	-	-
Numovista Pty Ltd	550,095	-	-	-
Transactions with related parties				
Kareevlei Mining Proprietory Limited				
- Interest received	-	-	615,074	694,076
- Management fees received	-	-	79,200	79,200
Teichmann Company Limited				
- Contractor fees paid	1,176,476	739,202	-	-
Numovista Pty Ltd				
- Purchase of plant and equipment	650,000	-	-	-
Ghaap Mining (Pty) Ltd				
- Contractor fees paid	56,655	-	-	-
William van Wyk				
- Interest paid	3,083	3,759	-	-

As at 31 December 2020 the balance payable on the vehicle lease facilities entered into with William van Wyk was £27,264 (2019: £26,918).

	Group 2020	Group 2019	Company 2020	Company 2019
A Waugh				
- Interest paid - A Waugh	10,144	27,741	10,144	27,741
- Consulting fees paid	25,000	-	25,000	-

During August 2018 the Group entered into a loan agreement with A Waugh. See note 16 for further details. As at 31 December 2020 the balance payable on the loan agreement was £65,141 (2019: £169,127).

Related parties continued...

27.3 Compensation paid to directors and key management personnel

Directors:
MJ Houston - received fees of £59,500 (2019: £55,417)
TG Leslie - received fees of £19,167 (2019: £10,000)
D Facey - received fees of £59,000 (2019: £56,000)
AT Simbanegavi - received fees of £27,500 (2019: £nil)
A Waugh - received fees of £nil (2019: £40,000) *

Key management personnel:
AT Simbanegavi - received salary from Kareevlei Mining Proprietory Limited of £113,622 (2019: £93,237)

** A Waugh resigned as director on 18 September 2019.*

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)	14,286	181,564
DA Facey (Chief Financial Officer)	14,286	116,404
AT Simbanegavi (Chief Operating Officer)	14,286	297,967
A Waugh (Former Non-Executive director)	21,935	-
	64,793	**595,935**

28. Events after the reporting date

Fundraising

During February 2021 the Company successfully raised an aggregate before expenses of £1,500,000 via the issue of 3,750,000 ordinary shares of 5 pence each in the capital of the Company through a placing and subscription at 40 pence per new share.

In May 2021 as a result of increasing costs and delays related to our expansion project we entered into heads of terms for a loan to raise a further £1.61 million, which will be exchanged for a convertible loan note, subject to Takeover Panel and independent shareholder approval. The funds are due to be received in 12 equal monthly instalments and the first payment was received in June 2021.

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.

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.

Sensitivity analysis
At 31 December 2020, 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 £247k lower (2019: £72k) or £314k higher (2019: £91k), 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 – 2020: 21.07 (2019: 18.44).

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 £360k (2019: £406k), while a decrease would have increased post-tax losses by £360k (2019: £406k)

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 12.50%.

Financial risk management continued...

29.2.4 Covid 19 risk

Possible further shutdown

There is a risk that the South African Government may impose a second shutdown should the spread of the infection increase. There have been no 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.

29.3 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 2020 was £11,033,747 (2019: £8,466,787) of which £9,784,358 (2019: £7,555,575) is related to the subsidiary loan. The maximum credit risk of the Group as at 31 December 2020 was £732,125 (2019: £446,552).

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.

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. Prior period error

As at 31 December 2020, BlueRock Diamonds Plc, the company, had receivables owing to it from its underlying operating subsidiary in South Africa amounting to £10,360,032 (2019: £8,052,049). Whilst legally these receivables are repayable on demand, given that the nature of the funding is for the subsidiary's operational activity on long term assets, it is unlikely that these receivables will be called in the next 12 months or realised within a 12 month period. For 31 December 2020 the receivables have been classified to non-current assets which reflects the period in which these assets will be realised in line with the requirements of IAS 1. The nature of these receivables has not changed in the last 12 months and therefore the receivables should have also been classified as non-current in the prior financial period. The comparative for 2019 has also been restated to reflect the receivables as non-current assets. The overall impact in 2020 is a decrease in current assets of £8,052,049 and an increase in non-current assets of £8,052,049 on the Company statement of financial position. There is no impact on comparative total assets, net assets, profit or loss or cash flow movements.

31. 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:

Financial liabilities held at fair value through profit and loss:	**Group 2020**	**Group 2019**	**Company 2020**	**Company 2019**
Embedded derivative (level 3)	21,718	10,359	21,718	10,359

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.

32. Ultimate controlling party

The Group considers that there is no ultimate controlling party.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of BlueRock Diamonds plc (the “Company”) will be held at 10am on 22 July 2021 at the offices of SP Angel, 35- 39 Maddox Street, London, W1S 2PP, for the purposes of considering the business set out below and, if thought fit, passing, the Resolutions set out below, which in the case of Resolution 6 will be proposed as a special resolution and in the case of Resolutions 1, 2, 3, 4, and 5 will be proposed as ordinary resolutions.

Please note that due to COVID-19 and the UK’s Government restrictions on travel, assembly and guidance on meetings, shareholders, their proxies and corporate representatives are requested not to attend in person, as they will not be admitted to the meeting Shareholders are only able to vote on resolutions set out in the Notice of AGM by proxy. Further details can be found below.

Ordinary Resolutions

1 THAT the financial statements of the Company for the year ended 31 December 2020 and the reports of the Directors and auditor thereon be received and adopted.

2 THAT Mike Houston, who retires by rotation, be re-elected as a Director of the Company.

3 THAT Rob Croll, who is retiring having been appointed by the directors of the Company since the last annual general meeting of the Company and who being eligible offers himself for election as a director of the Company.

4 THAT BDO UK LLP be re-appointed as auditor to the Company to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the auditor’s remuneration.

5 THAT the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any securities into shares in the Company subject to the following conditions:

5.1 that the maximum aggregate nominal amount of shares to be allotted in pursuance of such authority shall, be £706,050; and

5.2 that this authority shall expire on the earlier of 22 October 2022 or the conclusion of the Company’s next Annual General Meeting unless revoked, varied or renewed before that date save that the Company may, before such expiry, make an offer or agreement which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry and the Directors may allot shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares and grant rights to subscribe for or convert any securities into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Notice of Annual General Meeting

Special Resolution

6 THAT, conditional upon the passing of Resolution 5, the Directors be and they are hereby generally and unconditionally empowered pursuant to Section 570 of the Act to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the general authority conferred by Resolution 5 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

6.1 in connection with an offer of such securities by way of a rights issue, open offer or any other pre-emptive offer to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

6.2 otherwise than pursuant to paragraph 6.1 above, the allotment of equity securities for cash up to an aggregate nominal amount of £706,050

provided that this authority shall expire on the earlier of 22 October 2022 or the conclusion of the Company's next Annual General Meeting unless revoked, varied or renewed before such date, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares and grant rights to subscribe for or convert any securities into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

PROVISIONS FOR ATTENDANCE AND VOTING

Due to the ongoing UK Government "stay at home measures" which at the time of publication of this document include a prevention of public gatherings of more than six people, and with a view to holding the General Meeting in a manner consistent with the need to prevent the spread of Covid-19, the Directors have formed the view, which is supported by the Chartered Governance Institute (ICSA), that attendance in person at a general meeting by a shareholder, other than one specifically required to form the quorum for that meeting, is not essential for work purposes. The Company will procure that a quorum of two Shareholders (currently anticipated to be the Chairman and one other) will be present at the General Meeting. Other Shareholders must not attend the General Meeting in person and any person seeking to attend the General Meeting will be refused entry. The Resolutions will be voted on by way of a poll vote and Shareholders, other than the two Shareholders attending the General Meeting as referred to above, are strongly advised to appoint the chairman of the meeting as a proxy to vote on their behalf if they want their vote to count. Details of how to appoint the chairman of the meeting as your proxy are set out on the Form of Proxy. You are free to appoint someone else as your proxy but if you do they will be refused entry to the General Meeting and in those circumstances your vote would not count. If you do not indicate clearly on the Form of Proxy as to how you wish the chairman of the meeting to vote, the chairman will use his discretion in relation to the resolutions being put before the meeting and Shareholders are being asked to submit their votes by way of proxy, appointing the chairman of the meeting as their proxy. It is not intended that the above arrangements for holding the General Meeting will be altered, even if there is any relaxation of the current UK Government "stay at home measures".

Notice of Annual General Meeting

By order of the Board

David Facey
Company Secretary

Registered Office:
4th Floor
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

Date: 30 June 2021

Notice of Annual General Meeting

Appointment of proxies

1. As a member of the Company, you are entitled to vote at the meeting but in view of the Covid-19 circumstances all voting will be via a proxy given to the chairman of the meeting, and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. However, as the AGM will be a closed meeting due to Covid-19, proxies, other than the chairman of the meeting, will be denied entrance and therefore in order for your vote to count you need to appoint the chairman of the meeting

3. Details of how to appoint the chairman of the meeting as your proxy using the proxy form are set out in the notes to the proxy form.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting.

Appointment of proxy using the proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, it must be:

   5.1 completed and signed;

   5.2 sent or delivered to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR, or scanned and emailed to voting@shareregistrars.uk.com (please include "BlueRock Diamonds Plc" and your full name in the subject line of the email); and

   5.3 received by Share Registrars Limited no later than 10am on 20 July 2021.

6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

7. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

8. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001/3755) and paragraph 18(c) Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, specifies that only those ordinary shareholders registered in the register of members at 10 am on 20 July 2021 or, in the event the meeting is adjourned, on the register of members 48 hours excluding non business days, before the date of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares in the capital of the Company registered in their name at that time.

   Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Notice of Annual General Meeting

Appointment of proxy by joint members

9. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

10. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Share Registrars Limited. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Note that the cut off time for receipt of proxy forms specified in paragraph 5 also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

12. The revocation notice must be received by the Company no later than 10.00 a.m. on 20 July 2021.

13. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, your proxy appointment will remain valid.

Corporate representatives

14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Total voting rights

15. As at 6 p.m. (BST) on 29 June 2021 (being the last business day prior to the publication of this notice), the Company's issued share capital comprised 14,121,202 ordinary shares of £0.05 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6 p.m. (BST) on 29 June 2021 is 14,121,202.

Communication

Except as provided above, members who have general queries about the meeting should contact the Company's registrar, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR.