**20 September 2018**

**BlueRock Diamonds PLC ("BlueRock" or the "Company")**
**Interim results for the six months ended 30 June 2018**

BlueRock Diamonds, the AIM listed diamond mining company, which owns and operates the Kareevlei Diamond Mine in the Kimberley region of South Africa, is pleased to announce its interim results for the six months ended 30 June 2018. The interims will be available today for download from www.bluerockdiamonds.co.uk.

**Operational Highlights**

- 81% increase y-o-y in production for H1 2018 to 73,028 tonnes (H1 2017: 40,343 tonnes)
- Production now approaching 1,500 tonnes a day
- Turnover increased by 269% to £556,000 (H1 2017: £151,000)
- Losses reduced to £789,000 (H1 2017: £1,348,000)
- Production commenced at second kimberlite pipe "KV1" which has a 40% higher Inferred Mineral Resource grade than KV2
- Average grade continues to increase; average for the period was 3.17 carats per hundred tonnes ("cpht") (H2 2017: 2.68cpht, H1 2017: 2.26cpht)
- Average value per carat remains steady at US$340 (2017: US$362) with Kareevlei ranking in the top ten kimberlite mines in the world

**Chairman's Statement**

This has been an active period which has culminated in our re-stabilisation of production as we continue to work towards our objective of achieving sustainable profitability from mining operations at our Kareevlei Diamond Mine in the Kimberly region of South Africa.

**Production Volumes**

I am pleased to report encouraging production figures for this period of 73,028 tonnes, up 81% year-on-year (H1 2017: 40,343 tonnes). This has been achieved despite the seasonal downturn due to the rainy season always experienced in the first half of each year, aggravated by the now rectified crusher fault which resulted in a halt in production in June.

Post-period end, all issues with the crushing circuit have now been resolved and we are operating at approximately 50% increase in throughput with average tonnes processed per day approaching 1,500 tonnes. Processed volume in a standard 20-day month should reach 30,000 tonnes.

We continue to modify our crushing circuit following the installation of a second cone crusher to achieve the required consistency and begin to create the stockpile necessary to lessen the impact of the rainy season. Plant capacity has increased through the extension of our 24-hour five-day week pattern. We intend to move towards a six and ultimately seven day working week during 2019 although we already work some Saturdays when the maintenance schedule allows.

**Pit Development**

During the period, we began development of the KV1 pipe, the second of five known kimberlite pipes at Kareevlei, in order to benefit from the higher inferred grade of KV1 and to provide flexibility of supply of ore to the plant. 10 metres of the non-diamond bearing calcrete cap has been mined to waste, which allows for the higher Inferred Mineral Resource grade of KV1 to be reached sooner than in KV2 where only 7 meters of the calcrete cap was mined to waste. The first ore in level 1 kimberlite (10m to 20m below surface) is being processed now, yet it is too early to extrapolate any meaningful conclusions at this stage.

We have started to develop a larger push back in KV1, which will entail a number of months of waste blasting so that we can access the next level of kimberlite. Whilst the waste removal is taking place we will be processing the level 1 ore from KV1. We continue to define our pit development plan to enable us to mine KV1 and KV2 in tandem in the most efficient manner and to optimise the strip ratio required in order to achieve the maximum returns.

**Grade**

As expected, our average grade continues to increase as we mine lower into the kimberlite body, reaching 3.12cpht in the first half from KV2. The increased grade arises from processing ore from the sub 20m level of KV2, which at times has reached over 6cpht on a weekly basis. When the next level of waste has been stripped and we start to mine more consistently at lower levels, we would expect the grade to increase to the inferred pit grade of 4.5cpht or higher.

We have just started processing the calcretised kimberlite at around 10m in KV1. KV1 has an inferred grade of 6.3cpht, some 40% higher than the inferred grade of 4.5cpht in KV2 (as defined by Zstar, our competent person). Processing of KV1 ore is at an early stage but based on our experience of KV2, we would expect that the level 1 kimberlite should yield an average grade of between 50% and 60% of the inferred grade.

**Value per carat**

Our value per carat is consistently above the estimate provided by Zstar; the average for the first six months of 2018 was US$340 per carat compared with the Zstar estimate of US$232. The higher value reflects the quality of our diamonds and the coarseness of our production. As our production continues to grow, as does our reputation for producing high quality diamonds, and we remain in the top ten in the world in terms of average value per carat.

**Costs of production**

The management team has concentrated on reducing costs of production in order to reduce the breakeven point and hence to improve the long-term profitability of the mine. At the current levels of production, the mine is expected to run profitably. Nevertheless, the challenge that we are facing currently is the need to develop KV1 and to catch up on stripping of waste from KV2 in order to start to mine at the lower depth levels, which are expected to yield a higher grade.

**Claims from a former Director**

Mr Visser, the former CEO of BlueRock Diamonds, applied to the court for a liquidation order in January 2018. Our legal advice throughout the process has been that his claims have no merit. In order to remove any uncertainty, the Board decide to provide security to the court for the full amount of the claim in return for which Mr Visser agreed to remove his liquidation application from the court roll. Mr Visser will have the opportunity to initiate ordinary course recovery proceedings within a timeframe which is yet to be agreed.

**Financing**

In March 2018, the company raised £500,000 at a price of 1.5p a share together with a two-year warrant at 3p a share in order to part finance the establishment of KV1 and to provide working capital. A further £350,000 was raised in May 2018 at a price of 1.2p a share in order to continue the expansion into KV1.

Since the period end, the Company has entered into a loan agreement with Adam Waugh and Paul Beck, the Company's CEO and Chairman respectively, for an amount of £231,400, in order to provide sufficient funds to provide the security to the court in relation to the claims made by Mr Visser. It is the Board's intention to repay or refinance this loan as soon as is practicable.

**Outlook**

The second half of 2018 has started well with daily production figures since the reconfiguration of the crushing circuit now consistently at target levels. The development work we are conducting at KV2 will provide us with good quality high grade kimberlite in 2019 whilst we look forward to the results from our new pipe at KV1 with enthusiasm.

**Paul Beck**
**Non-executive Chairman**

**Market Abuse Regulation (MAR) Disclosure**

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

For further information, please visit BRD's website [www.bluerockdiamonds.co.uk](http://www.bluerockdiamonds.co.uk) or contact:

| | |
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**Notes to editors:**

BlueRock Diamonds is an AIM-listed diamond producer which operates the Kareevlei Diamond Mine near Kimberley in South Africa which produces diamonds of exceptional quality and ranks in the top ten in the world in terms of average value per carat. The Kareevlei licence area covers 3,000 hectares and hosts five known diamondiferous kimberlite pipes. As at 3 September 2018, it was estimated that the remaining Inferred Mineral Resource from the three kimberlite pipes (KV1, KV2 and KV3) represents a potential inground value of circa US$124 million at a current average run of mine diamond value of US$362/carat. The Company is currently focused on a target of consistently producing ore at a rate in excess of 25,000 tonnes a month while increasing the average recovered grade by mining deeper into KV2 (Inferred Mineral Resource grade of 4.5cpht) and commencing production from KV1 (Inferred Mineral Resource grade of 6.3cpht).

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2018**

**Consolidated Statement of Financial Position**

| | Note | As at 30 June 2018 *Unaudited* £ | As at 30 June 2017 *Unaudited* £ | As at 31 December 2017 *Audited* £ |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 5 | 734,829 | 821,415 | 830,701 |
| Mining assets | 5 | 496,632 | 255,179 | 352,642 |
| | | **1,231,461** | **1,076,594** | **1,183,343** |
| **Current assets** | | | | |
| Inventories | 6 | 65,848 | 15,930 | 103,951 |
| Trade and other receivables | 7 | 29,737 | 44,311 | 6,361 |
| Cash and cash equivalents | 8 | 244,217 | 106,347 | 268,128 |
| | | **399,802** | **166,588** | **378,440** |
| **Total assets** | | **1,571,263** | **1,243,182** | **1,561,783** |
| **Equity and liabilities** | | | | |

| | Note | | | |
|---|---|---|---|---|
| **Equity Attributable to Equity Holders of the Parent** | | | | |
| Share capital | 10 | 2,023,242 | 679,096 | 1,398,242 |
| Share premium | 10 | 2,901,620 | 2,656,728 | 2,811,536 |
| Retained losses | | (3,521,204) | (2,352,940) | (2,579,999) |
| Foreign exchange reserve | | (65,578) | (279,982) | (390,441) |
| | | 1,338,080 | 702,902 | 1,239,338 |
| Non-controlling interest | | (1,331,500) | (1,071,106) | (1,195,696) |
| | | **6,580** | **(368,204)** | **43,642** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 11 | 393,133 | 632,757 | 371,298 |
| Borrowings | 12 | 25,283 | - | 34,723 |
| **Non-current liabilities** | | | | |
| Embedded derivative | 12 | 70,354 | 72,451 | 113,333 |
| Borrowings | 12 | 870,660 | 761,531 | 850,505 |
| Provisions | 13 | 205,252 | 144,647 | 148,282 |
| | | **1,564,682** | **1,611,386** | **1,518,141** |
| **Total equity and liabilities** | | **1,571,263** | **1,243,182** | **1,561,783** |

## Consolidated Statement of Comprehensive Income

| | Note | 6 months ended 30 June 2018 *Unaudited* £ | 6 months ended 30 June 2017 *Unaudited* £ | 12 months ended 31 December 2017 *Audited* £ |
|---|---|---|---|---|
| Revenue | | 555,842 | 150,551 | 945,924 |
| Other income | | 782 | - | 446 |
| Operating expenses | | (1,345,341) | (901,660) | (2,294,489) |
| **Operating loss** | | **(788,717)** | **(751,109)** | **(1,348,119)** |
| Finance charges | | (44,953) | (30,186) | (82,384) |
| Change in fair value of financial instruments designated at FVTPL | | 42,979 | - | 179,506 |
| Foreign exchange (loss) / gain | 3 | (503,240) | (85,869) | 71,468 |
| **Loss before taxation** | | **(1,293,931)** | **(867,164)** | **(1,179,529)** |
| Taxation | | - | (7,134) | (22,008) |
| **Total loss for the period** | | **(1,293,931)** | **(874,298)** | **(1,201,537)** |
| **Other Comprehensive Income:** | | | | |
| Exchange differences on translating foreign operations | | 439,004 | 70,511 | (78,760) |
| **Total comprehensive loss, net of tax** | | **(854,927)** | **(803,787)** | **(1,280,297)** |
| **Total comprehensive loss, net of tax attributable to:** | | | | |
| Owners of the parent | | (719,123) | (550,067) | (901,987) |
| Non-controlling interest | | (135,804) | (253,720) | (378,310) |
| | | **(854.927)** | **(803,787)** | **(1,280,297)** |
| **Earnings per share – from continuing activities** | | | | |
| Basic and diluted | 15 | (0.01) | (0.01) | (0.01) |

## Consolidated Statement of Changes in Equity

| | Share capital | Share premium | Retained losses | Foreign exchange reserve | Total attributable to equity holders of the Group | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| **Balance at 1 January 2017:** | **556,796** | **2,443,826** | **(1,828,598)** | **(332,160)** | **839,864** | **(817,386)** | **22,478** |
| Loss for the period | - | - | (602,245) | - | **(602,245)** | (272,053) | (874,298) |
| **Other comprehensive income:** | | | | | | | |
| Foreign exchange movements | - | - | - | 52,178 | 52,178 | 18,333 | 70,511 |
| **Total comprehensive loss:** | - | - | (602,245) | 52,178 | (550,067) | (253,720) | (803,787) |
| **Transactions with shareholders:** | | | | | | | |
| Issue of share capital | 122,300 | 243,700 | - | - | 366,000 | - | 366,000 |
| Share issue expenses | - | (30,798) | - | - | (30,798) | - | (30,798) |
| Issue of share options | - | - | 77,903 | - | 77,903 | - | 77,903 |
| **Total transactions with shareholders:** | 122,300 | 212,902 | - | - | 413,105 | - | 413,105 |
| **Balance at 30 June 2017 (unaudited):** | **679,096** | **2,656,728** | **(2,352,940)** | **(279,982)** | **702,902** | **(1,071,106)** | **(368,204)** |
| **Balance at 1 July 2017:** | **679,096** | **2,656,728** | **(2,352,940)** | **(279,982)** | **702,902** | **(1,071,106)** | **(368,204)** |
| Loss for the period | - | - | (241,461) | - | (241,461) | (85,778) | (327,239) |
| **Other comprehensive income:** | | | | | | | |
| Foreign exchange movements | - | - | - | (110,459) | (110,459) | (38,812) | (149,271) |
| **Total comprehensive loss:** | **-** | **-** | **(241,461)** | **(110,459)** | **(351,920)** | **(124,590)** | **(476,510)** |
| **Transaction with shareholders:** | | | | | | | |
| Issue of share capital | 719,146 | 205,852 | - | - | 924,998 | - | 924,998 |
| Share issue expenses | - | (51,044) | - | - | (51,044) | - | (51,044) |
| Issue of share options | - | - | 14,402 | - | 14,402 | - | 14,402 |
| **Total transactions with shareholders:** | **719,146** | **154,808** | **14,402** | **-** | **888,356** | **-** | **888,356** |
| **Balance at 31 December 2017** | **1,398,242** | **2,811,536** | **(2,579,999)** | **(390,441)** | **1,239,338** | **(1,195,696)** | **43,642** |
| **Balance at 1 January 2018:** | **1,398,242** | **2,811,536** | **(2,579,999)** | **(390,441)** | **1,239,338** | **(1,195,696)** | **43,642** |
| Loss for the period | - | - | (1,043,987) | - | (1,043,987) | (249,944) | (1,293,931) |
| **Other comprehensive income:** | | | | | | | |
| Foreign exchange movements | - | - | - | 324,863 | 324,863 | 114,141 | 439,004 |
| **Total comprehensive loss:** | **-** | **-** | **(1,043,987)** | **324,863** | **(719,124)** | **(135,803)** | **(854,927)** |
| **Transaction with shareholders:** | | | | | | | |
| Issue of share capital | 625,000 | 225,000 | - | - | 850,000 | - | 850,000 |
| Share issue expenses | - | (134,916) | - | - | (134,916) | - | (134,916) |
| Issue of share options | - | - | 102,782 | - | 102,782 | - | 102,782 |
| **Total transactions with shareholders:** | **625,000** | **90.084** | **102,782** | **-** | **811,522** | **-** | **811,522** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2018 (unaudited)** | **2,023,242** | **2,901,620** | **(3,521,204)** | **(65,578)** | **1,338,080** | **(1,331,500)** | **6,580** |

## Consolidated Statement of Cash Flows

| | | 6 months ended 30 June 2018 *Unaudited* £ | 6 months ended 30 June 2017 *Unaudited* £ | 12 months ended 31 December 2017 *Audited* £ |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash used in operations | 14 | (574,290) | (656,243) | (975,201) |
| **Net cash used in operating activities** | | **(574,290)** | **(656,243)** | **(975,201)** |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | **5** | (280,223) | (210,454) | (441,107) |
| **Net cash used in investing activities** | | **(280,223)** | **(210,454)** | **(441,107)** |
| **Financing activities** | | | | |
| Proceeds on share issue | 10 | 790,885 | 335,202 | 1,147,157 |
| Loan drawn down in the year | | - | - | 190,000 |
| Loans repaid in the year | 12 | (20,616) | - | (180,000) |
| Borrowings | | - | - | 243,325 |
| Proceeds from borrowings | | - | 343,877 | - |
| **Net cash received from financing activities** | | **770,269** | **679,079** | **1,400,482** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(84,244)** | **(187,618)** | **(15,826)** |
| Cash and cash equivalents at the beginning of the period | 8 | 268,128 | 291,555 | 291,555 |
| Foreign exchange differences | | 60,333 | 2,410 | (7,601) |
| **Cash and cash equivalents at the end of the period** | 8 | **244,217** | **106,347** | **268,128** |

## Notes to the Interim Consolidated Financial Statements

**1. Accounting policies**

*1.1 General information and basis of preparation*

The condensed interim consolidated financial statements (the "interim financial statements") are for the six-month period ended 30 June 2018.

These interim financial statements have not been audited, and the financial information set out in this report does not constitute statutory accounts as defined by the Companies Act 2006. The comparative figures for the year ended 31 December 2017 were derived from the statutory accounts for the year to 31 December 2017, which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not contain statements under sections 498(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations) of the Companies Act 2006.

The interim financial statements have been prepared on the basis of the accounting policies set out in the December 2017 financial statements of BlueRock Diamonds plc and IAS 34 "Interim Financial Reporting" on a going concern basis. They are presented in sterling, which is also the functional currency of the parent company. They do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements of the Group for the period ended 31 December 2017.

The interim financial statements have been approved for issue by the Board of Directors on 18 September 2018.

*1.2 Standards issued but not adopted*

The following relevant new IFRS standards, amendments to standards and interpretations have been issued by the IASB, but are not effective for the financial year beginning on 1 January 2018 and have been adopted by the EU and have not been early adopted.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

| Standard | Key requirements | Effective date as adopted by the EU |
|---|---|---|
| IFRS 16 | Leases – Introduces a single lessee accounting model and eliminates the previous distinction between an operating and a finance lease. | 1 January 2019 |

**2. Significant judgements and sources of estimation uncertainty**

In the application of the Group's accounting policies the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements including the key sources of estimation uncertainty were the same as those applied in the financial statements for the period ended 31 December 2017.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**3. Foreign exchange (loss) / gain**

| | 6 months ended 30 June 2018 £ *Unaudited* | 6 months ended 30 June 2017 £ *Unaudited* | 12 months ended 31 December 2017 £ *Audited* |
|---|---|---|---|
| Foreign exchange (loss) / gain | (503,240) | (85,869) | 71,468 |

The foreign exchange (losses) / gains relate to translation differences on subsidiary balances that are translated into the reporting currency of the Company at the reporting date and do not constitute a movement through the other comprehensive income reserve.

**4. 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 in June 2018 were £1,231,461 (June 2017: £1,076,594; December 2017: £1,183,343)

All revenue consists of sales of diamonds in South Africa through auctions as is customary in the industry. The Company sells its diamonds through auctions run by CS Diamonds (Pty) Ltd.

**5. Property, plant and equipment**

| | Cost / Valuation 30 June 2018 £ | Accumulated depreciation £ | Carrying value 30 June 2018 £ *Unaudited* |
|---|---|---|---|
| Mine infrastructure | 50,979 | (12,527) | 38,452 |
| Motor vehicles | 58,032 | (5,329) | 52,703 |
| Plant and machinery | 842,183 | (198,509) | 643,674 |
| Mining assets | 580,262 | (83,630) | 496,632 |
| **Total** | **1,531,456** | **(299,995)** | **1,231,461** |

**Reconciliation of property, plant and equipment**

| | Carrying value 1 January 2018 £ Audited | Additions £ | Depreciation £ | Disposals £ | FX revaluation £ | Carrying value 30 June 2018 £ *Unaudited* |
|---|---|---|---|---|---|---|
| Mine infrastructure | 37,590 | 13,388 | (10,085) | - | (2,441) | 38,452 |
| Motor vehicles | 22,377 | 35,655 | (3,730) | - | (1,599) | 52,703 |
| Plant and machinery | 770,734 | 71,449 | (144,452) | - | (54,057) | 643,674 |
| Mining assets | 352,642 | 227,620 | (4,901) | - | (78,729) | 496,632 |
| | 1,183,343 | 348,112 | (163,167) | - | (58,097) | 1,231,461 |

Included within mining assets is an amount £158,768 which relates to stripping costs associated with the KV1 pipe, the second of five known Kimberlite pipes at Kareevlei. Costs associated with the removal of waste overburden at the Group's open cast mine are classified as stripping costs within property, plant and equipment. The stripping asset is depreciated on a units-of-production basis.

**6. Inventories**

| | 30 June 2018 £ *Unaudited* | 30 June 2017 £ *Unaudited* | 31 December 2017 £ *Audited* |
|---|---|---|---|
| Diamonds on hand | 65,848 | 15,930 | 103,951 |

**7. Trade and other receivables**

| | 30 June 2018 £ *Unaudited* | 30 June 2017 £ *Unaudited* | 31 December 2017 £ *Audited* |
|---|---|---|---|
| Prepayments | 2,119 | 6,943 | 5,359 |
| VAT | 27,618 | 37,356 | - |
| Other receivables | - | 12 | 1,002 |
| | **29,737** | **44,311** | **6,361** |

The carrying value of all trade and other receivables is considered a reasonable approximation of fair value.

**8. Cash and cash equivalents**

| | 30 June 2018 £ *Unaudited* | 30 June 2017 £ *Unaudited* | 31 December 2017 £ *Audited* |
|---|---|---|---|
| Cash in bank and on hand | 244,217 | 106,347 | 268,128 |

**9. Share Based Payments**

The Directors were granted share options under the share option agreements dated 19 August 2013. There were no amendments to the terms of the options granted during the period.

The share options held by current and former Directors as at 30 June 2018 and the exercise prices were as follows:

| **Director** | **Number of ordinary shares subject to share options** | **Tranche 1** | **Tranche 2** | **Tranche 3** | **Tranche 4** | **Tranche 5** |
|---|---|---|---|---|---|---|
| | | | | **Number and Exercise Price (Pence)** | | |
| P. Beck | 2,751,392 | - | - | 992,096 – 2.25 | 992,096 – 1.25 | 767,200 – 1.75 |
| T. Leslie | 3,000,000 | - | - | - | - | 3,000,000 – 1.75 |
| A. Waugh | 9,281,958 | 776,091 - 11 | 1,670,387 - 5 | 3,417,740 – 2.25 | 3,417,740 – 1.25 | - |
| D. Facey | 4,127,088 | - | - | 2,063,544 - 2.25 | 2,063,544 - 1.25 | - |
| **Total** | **19,160,438** | **776,091** | **1,670,387** | **6,473,380** | **6,473,380** | **3,767,200** |

No share options were granted during the period to 30 June 2018.

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

| | 30 June 2018 | | 31 December 2017 | | 30 June 2017 | |
|---|---|---|---|---|---|---|
| | **Average exercise price in pence per share** | **Number of options** | **Average exercise price in pence per share** | **Number of options** | **Average exercise price in pence per share** | **Number of options** |
| Outstanding at the beginning of the period | 4.4 | 22,502,955 | 29.2 | 3,555,720 | 29.2 | 3,555,720 |
| Granted | - | - | 2.11 | 20,308,238 | 5 | 2,227,182 |
| Lapsed | - | - | (44) | (1,161,003) | - | - |
| Exercised | - | - | - | - | - | - |
| Outstanding at the period / year end | 4.4 | 22,502,955 | 4.40 | 22,502,955 | 19.55 | 5,582,902 |
| Exercisable at the period / year end | 6.55 | 3,003,273 | 5 | 2,227,182 | 19.55 | 5,582,902 |

Options are valued at date of grant using the Black-Scholes option pricing model. No options were granted and valued during the period.

The total share-based payment expense for the period ended 30 June 2018 was £26,980 (June 2017: £77,903; December 2017: £92,305).

**10. Share capital and share premium issued**

| | **30 June 2018** | **30 June 2017** | **31 December 2017** |
|---|---|---|---|
| | **£** | **£** | **£** |
| | ***Unaudited*** | ***Unaudited*** | ***Audited*** |
| Number of Ordinary shares | 202,324,242 | 67,879,580 | 139,824,242 |
| Ordinary share capital of 1p per share | 2,023,242 | 679,096 | 1,398,242 |
| Share premium | 2,901,620 | 2,656,728 | 2,811,536 |
| | **4,924,862** | **3,335,824** | **4,209,778** |

In the period ended 30 June 2018 the following Ordinary share issues occurred:

| **Date of issue** | **Details of issue** | **Number of ordinary shares** | **Share capital £** | **Share premium £** |
|---|---|---|---|---|
| At 1 January 2018 | | 139,824,242 | 1,398,242 | 2,811,536 |
| 19 March 2018 | Placing and equity issue | 33,333,333 | 333,333 | 166,667 |
| 19 March 2018 | Placing and equity issue expenses | - | - | (36,615) |
| 12 April 2018 | Warrant issue charges | - | - | (75,801) |
| 31 May 2018 | Placing and equity issue | 29,166,667 | 291,667 | 58,333 |
| 31 May 2018 | Placing and equity issue expenses | - | - | (22,500) |
| At 30 June 2018 | | **202,324,242** | **2,023,242** | **2,901,620** |

On 19 March 2018, a placing and subscription raised £500,000 gross (£463,385 after expenses) via the issue of 33,333,333 new ordinary shares of 1 pence each in the capital of the Company at a price of 1.5 pence per New Share. Each new share issued was also accompanied by a warrant to subscribe for a further new share at a price of 3 pence per new share. An additional 1,200,000 warrants were issued in lieu of certain fees. This transaction is further discussed in Note 16.

On 31 May 2018, a placing and subscription raised an aggregate of £322,500 after expenses via the issue of 29,166,667 new ordinary shares of 1 pence each in the capital of the Company at a price of 1.2 pence per New Share; this transaction is further discussed in Note 16.

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

| | **6 months ended 30 June 2018** |
|---|---|
| Pricing model used | Black-Scholes |
| Weighted average share price at grant date (pence) | 1.48 |
| Weighted average exercise price (pence) | 3 |
| Weighted average contractual life (years) | 2 |
| Share price volatility (%) | 66% |
| Dividend yield (%) | 0% |
| Risk-free interest rate (%) | 0.0093% |

Movements in the number of warrants outstanding and their related weighted average prices are as follows:

| | **30 June 2018** | | **31 December 2017** | | **30 June 2017** | |
|---|---|---|---|---|---|---|
| | **Average exercise price in pence per share** | **Number of warrants** | **Average exercise price in pence per share** | **Number of warrants** | **Average exercise price in pence per share** | **Number of warrants** |
| Outstanding at the beginning of the period | - | - | - | - | - | - |
| Granted | 3 | 34,533,333 | - | - | - | - |
| Lapsed | - | - | - | - | - | - |
| Exercised | - | - | - | - | - | - |
| Outstanding at the period / year end | 3 | 34,533,333 | - | - | - | - |
| Exercisable at the period / year end | 3 | 34,533,333 | - | - | - | - |

**11. Trade and other payables**

| | **30 June 2018 £ *Unaudited*** | **30 June 2017 £ *Unaudited*** | **31 December 2017 £ *Audited*** |
|---|---|---|---|
| Trade payables | 279,702 | 290,801 | 231,950 |
| Accrued expenses | 67,403 | 24,297 | 55,173 |
| Corporation tax payables | 21,953 | 97,699 | 21,953 |
| Other payables | 24,076 | 219,960 | 62,222 |
| | **393,134** | **632,757** | **371,298** |

An amount of £178,652 is included within trade payables for amounts being claimed as being due to companies related to a former director of the Company. This amount is disputed in full by the Company based on legal advice received.

Within other payables is an amount of £24,076 which relates to an amount claimed by a former director and which, based on legal advice received by the company, is disputed in full. See note 17 for further details.

**12. Borrowings and embedded derivative**

| | **30 June 2018 £ *Unaudited*** | **30 June 2017 £ *Unaudited*** | **31 December 2017 £ *Audited*** |
|---|---|---|---|
| Convertible loans | 673,234 | 612,031 | 641,903 |
| Loan facility | 188,409 | 149,500 | 243,325 |
| Finance lease | 34,300 | - | - |
| | 895,943 | 761,531 | 885,228 |
| | | | |
| Embedded derivative | 70,354 | 72,451 | 113,333 |
| | 966,297 | 833,982 | 998,561 |

| | 30 June 2018 £ *Unaudited* | 30 June 2017 £ *Unaudited* | 31 December 2017 £ *Audited* |
|---|---|---|---|
| **Due within the year** | | | |
| Loan facility | 23,148 | - | 34,723 |
| Finance lease | 2,135 | - | - |
| | 25,283 | - | 34,723 |
| **Due greater than one year** | | | |
| Convertible loan | 673,234 | 612,031 | 641,903 |
| Loan facility | 165,261 | 149,500 | 208,602 |
| Finance lease | 32,165 | - | - |
| | 870,660 | 761,531 | 850,505 |

***Convertible loans and embedded derivative***

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

| | Embedded derivative £ | Convertible loan £ | Total £ |
|---|---|---|---|
| **Balance at 1 January 2017** | 292,839 | 583,548 | 876,387 |
| Finance charge: unwinding the discount factor | - | 28,483 | 28,483 |
| Fair value adjustment to embedded derivative | (220,388) | - | (220,388) |
| **Balance at 30 June 2017** | 72,451 | 612,031 | 684,482 |
| Finance charge: unwinding the discount factor | - | 29,872 | 29,872 |
| Fair value adjustment to embedded derivative | 40,882 | - | 40,882 |
| **Balance at 31 December 2017** | 113,333 | 641,903 | 754,236 |
| Finance charge: unwinding the discount factor | - | 31,331 | 31,331 |
| Fair value adjustment to embedded derivative | (42,979) | - | (42,979) |
| **Balance at 30 June 2018** | 70,354 | 673,234 | 743,588 |

At 30 June 2018 the Group had in issue convertible loan stocks of £925,000 which has a term until 16 October 2021.

The terms of the convertible loan note provides a mechanism for weighted conversion price revisions should additional funds be raised below the prevailing conversion price.

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 its subsidiary undertaking 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 redemption feature (payable on a sale of the Group's interest for consideration greater than 120% of the loan note value). The embedded derivative should be recognised separately as a derivative financial instrument at fair value through profit and loss (FVTPL).

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 is 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%.

***Loan facility***

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.

During the period ended 30 June 2018 an interest charge of £9,087 (June 2017: £nil, December 2017: £4,024) was recognised on the total capital drawn down. Outstanding at the period ended 30 June 2018 was £184,793 capital and £3,616 interest.

***Finance lease***

During 2018 the Group entered into a lease facility agreement with William van Wyk, whereby motor vehicles are leased over a term of 72 months at a rate of 12.5% per annum with the final repayment during February 2024.

**13. Provisions**

**Reconciliation of provisions**

| **Rehabilitation costs** | **£** |
|---|---|
| **Balance at 1 January 2017** | 112,798 |
| Unwinding of discount | 31,849 |
| **Balance at 30 June 2017** | **144,647** |
| Unwinding of discount | 3,635 |
| **Balance at 31 December 2017** | **148,282** |
| Revaluation of provision | 67,889 |
| Unwinding of discount | 1,342 |
| Exchange differences | (12,261) |
| **Balance at 30 June 2018** | **205,252** |

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 April 2018.

**14. Cash used in operations**

| | 30 June 2018 £ *Unaudited* | 30 June 2017 £ *Unaudited* | 31 December 2017 £ *Audited* |
|---|---|---|---|
| Loss before taxation | (1,293,931) | (867,164) | (1,179,529) |
| **Adjustments for non-cash items:** | | | |
| Depreciation and amortisation | 163,166 | 131,036 | 274,407 |
| Foreign exchange movement | 503,240 | 85,869 | (71,468) |
| Property plant and equipment NBV disposal | - | 18,197 | 18,740 |
| Embedded derivative charge | (42,979 | (220,388) | (179,506) |
| Share based payment expense | 26,980 | 77,903 | 92,305 |
| Share payments in lieu of Director fees | - | - | 52,000 |
| Finance charge on convertible loan notes | 31,331 | 28,483 | 58,355 |
| Movements in provisions | 1,342 | (1,701) | - |
| Taxes Paid | - | - | (90,621) |
| **Changes in working capital:** | | | |
| Decrease / (increase) in trade and other receivables | (23,376) | 87,686 | 125,635 |
| Increase in trade and other payables | 21,835 | 17,564 | 26,230 |
| (Increase) / decrease in inventories | 38.103 | (13,728) | (101,749) |
| | **(574,290)** | **(656,243)** | **(975,201)** |

**15. EPS (Earnings per share)**

| | 30 June 2018 £ *Unaudited* | 30 June 2017 £ *Unaudited* | 31 December 2017 £ *Audited* |
|---|---|---|---|
| Loss attributable to ordinary shareholders | (712,780) | (550,067) | (901,987) |
| Weighted average number of shares | 80,758,074 | 57,645,136 | 90,383,380 |
| Loss per share basic and diluted | (0.01) | (0.01) | (0.01) |
| | | | |
| Weighted average number of shares after dilution | 80,758,074 | 57,645,136 | 90,383,380 |
| Fully diluted earnings per share | (0.01) | (0.01) | (0.01) |

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.

**16. Related party transactions**

**Relationships**

| | |
|---|---|
| Minority Interest - William van Wyk | Kgalagadi Engineering & Mining Supplies (Pty) Ltd<br>Ghaap Mining (Pty) Ltd |
| Shareholder – Mark Poole | BlueRock Diamond |
| Shareholder's Daughter – Emma Poole | BlueRock Diamond |

**Placing and Subscription**

As part of the £500,000 placing and subscription on 19 March 2018, Paul Beck, Non-Executive Chairman of the Company and David Facey, Financial Director of the Company, has subscribed for 1,000,000 and 1,666,666 New Shares respectively, following which they will have a beneficial interest in 4,680,643 and 5,666,666 Ordinary Shares of the Company. Included in Mr Beck's beneficial interest are 455,455 Ordinary Shares held by Front Square Securities Limited, a company wholly owned by Mr Beck and his wife and of which Mr Beck is a director.

As part of the placing on 19 March 2018, 33,333,333 warrants were issued to investors of which 1,000,000 and 1,666,666 were issued to Paul Beck and David Facey respectively. The warrants are exercisable at a price of 3 pence and are exercisable for a period of 2 years from date of issue.

**Borrowings**

*William van Wyk*

During March 2018 the Group entered into a lease facility agreement with William van Wyk, whereby motor vehicles are leased over a term of 72 months at a rate of 12.5% per annum with the final repayment during February 2024. See note 12 for further details. As at 30 June 2018 the balance payable on the lease facility was £34,300.

*Mark Poole*

As at 30 June 2018 the balance due on the asset finance facility granted by Mark Poole was £188,409. See note 12 for further details.

**Directors' remuneration**

The following directors' remuneration were paid during the period:
A Waugh – received fees of £48,320
D Facey – received fees of £18,000

**17. Events after the reporting period**

**Claim by former company director**

On 10 August Kareevlei Mining (Pty) Ltd, the Company's main operating subsidiary, reached an agreement with Mr. C Visser, a former director of the company, that his application for the liquidation of Kareevlei Mining (Pty) Ltd be removed from the court roll, subject to security being provided for the full amount of his alleged claim which amounts to approximately £230,000 (the 'Security'). Accordingly, the provisional liquidation hearing scheduled for 10 August 2018 did not proceed. The Security was given on 17 August 2018. The Company has taken this prudent action on the advice of its lawyers because, whilst the Board was confident that, had the hearing proceeded, it would have been successful, it is impossible to be entirely confident of success in this or indeed any other court process.

The alleged claims remain disputed and the applicants may initiate ordinary course recovery proceedings. Such proceedings, if initiated, are likely to last for a period of around 18 months. BlueRock's legal advice remains that Mr Visser's claim is without merit. The Security will remain held in escrow with BlueRock's legal advisers until such time that either Mr Visser fails to initiate recovery proceedings within the yet to be agreed time frame, or the final determination of any such proceedings.

**Loan agreement**

Pursuant to the above agreement, BlueRock Diamonds plc and its subsidiary Kareevlei Mining PTY Limited entered into a loan agreement with Adam Waugh (CEO) and Paul Beck (Chairman) on 17 August 2018. The Loan will only be available to satisfy any final determination of any further claim that Mr Visser brings.

The principal amount of the loan is £231,400 comprising £50,000 from Paul Beck and £181,400 from Adam Waugh. The key provisions of the loan are as follows:

1) a term of up to three years, but pre-payable in full or in part at any time at the option of the Company;
2) an arrangement fee of 5 percent of the loan principal;
3) 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);
4) 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);
5) 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