BlueRock Diamonds PLC / AIM: BRD / Sector: Natural Resources

29 September 2020

BlueRock Diamonds Plc ("Bluerock" or the "Company")
Interim Results

BlueRock Diamonds, the AIM listed diamond mining company, which owns and operates the Kareevlei Diamond Mine ('Kareevlei') in the Kimberley region of South Africa, is pleased to announce its interim results for the six months ended 30 June 2020.

Overview

- Undertook rapid response to Covid-19 pandemic with positive outcomes at Kareevlei
- Reopened the mine as soon as was permitted in South Africa, after only 50 days of Care and Maintenance measures
- Continued expansion plans at Kareevlei, combining KV1 and KV2 to mine more efficiently, increased plant size by 20% to handle one million tonnes per annum and advanced work to upgrade the resource
- Strengthened balance sheet with two over-subscribed placings during and post period end to substantially increase annual production
- Established relationship with Bonas Group in Antwerp to sell Kareevlei diamonds on a "mine to market basis" at potentially stronger pricing over the long term
- Formed partnership with Delgatto Diamond Finance LLP to finance sales and increase flexibility on timings of diamond sales
- Quality of diamonds enables BlueRock to sell into niche markets - sold two parcels of diamonds for USD700,000 and USD1,255,000 during and post period end respectively
- Anticipate increasing incidence of higher value diamonds – post period end, sold one diamond for USD104,000 and recovered a second estimated at c.USD75,000

Chairman's Statement

Notwithstanding the unprecedented circumstances faced by the Company, a lot was achieved in the first half of 2020 and we are now well positioned to expand our operations as planned and to operate profitably again from H2 2020. When the onset of Covid-19 resulted in the closure of the mine in March 2020, we quickly revised our plans and implemented a 'reset and rebuild' strategy focused on minimising costs and further increasing production from our original expansion plans developed in January 2020. As part of this, we developed a new sales channel, which should enable us to achieve higher prices per carat, and a bridging financing facility to provide flexibility over the timing of our sales.

Nevertheless, Covid-19 had a material impact on our business in H1 2020, leading to significant cash outflows and losses in the period. The fundraising in July 2020 has restored our financial position and we are now busy on our enlarged expansion plans and expect to be commissioning the new plant in late 2020 with a build up to operating at a run rate of one million tonnes per annum.

Covid -19 Update

As soon as we were permitted, after six weeks on care and maintenance, the mine was reopened, and our expansion plans resumed. New processes were put in place to ensure the health and safety of our workforce and the local community. The mine went through a process of reviewing and implementing policies and procedures in line with the Department of Minerals and Energy ('DMRE') and Department of Health ('DOH') of South Africa to ensure we mitigate the risk of the Covid-19 pandemic and take precautional and preventive measures to protect our workforce.

These measures include screening and testing of all employees, daily shift thermal screening, sanitation measures, appropriate social distancing, compulsory wearing of face masks, training and counselling and the provision of personal protective equipment. To date, seven employees have tested positive for Covid-19 and all have recovered; the Company will continue with the strict measures and controls while the risk from Covid-19 remains.

Expansion Plans

By March 2020, we had started preparation for the expansion plans that we announced in February 2020; the second production line was on site and engineering preparation was advancing in order to establish the new line and move the existing line to its new site alongside the second line. As mentioned, when Covid-19 hit, the plant was put into care and maintenance and our expansion plans were halted due to the resultant uncertainty, particularly in relation to our ability to sell our production as tender houses were unable to function.

During this time, management took the opportunity to revisit the Processing Plant Design and agreed that at a limited capital cost the volumes could be increased materially from the planned 750,000 to one million tonnes per annum, and the proposed changes would further de-risk the crushing aspect of the circuit.

A key issue to running at this planned higher tonnage, was to ensure that the mining operations had greater flexibility. Accordingly, as part of longer term mine planning it was agreed to combine KV1 and KV2 to create the 'KV Main Pit'. This process continued throughout H1 2020 and has now been largely completed. We are now able to mine the combined pit much more efficiently from a capacity perspective and grades have returned to expected levels. We estimate that the strip ratio for KV Main Pit will be 1.8/1 down to a depth of 120m.

The cost consequences in H1 2020 of creating KV Main Pit were two-fold. Firstly, the need to mine and process lower grade and non-pure kimberlite from near surface as part of establishing the longer-term pit design; pleasingly now that we are back processing pure kimberlite from the 30m/40m level, grades have recovered to well above 4 cpht and in August 2020 we achieved an average grade of 5.1 cpht. Secondly, there was an above life of mine stripping ratio in H1 2020 (2.1/1); whilst these costs were not capitalised, they are an investment in the future of the mine.

Another deliverable within Phase 2 of the expansion plan is develop a combined national grid / generator mix of power versus the current 100% expensive generator operation; these changes are expected to be completed in the period to January to April 2021.

Resource Upgrade Work

Mining to date has shown that the KV1 footprint is approximately 25% larger than included in the current resource estimate and we now estimate that KV Main Pit has an estimated economic depth of c.120m although the current resource statement is based on 65m KV1 and 100m KV2.

As part of ensuring compliance to the JORC code and requirements by the competent person, a decision was made to perform some limited additional drilling work in KV Main Pit to delineate the down dip and depth extent. The drilling was delayed due to complications arising from Covid-19 but has now been commissioned and we expect to have an updated resource statement by the end of Q4 2020. In addition, there is a potential increase in the resource in KV3 where currently only 40% of the surface area is in the current resource statement. We plan to do further work to establish the resource in KV3 during 2021.

Sales & Marketing

During the lockdown, we sought to mitigate the various uncertainties created by Covid-19 by establishing a new marketing channel through a partnership with Bonas Group in Antwerp, which is anticipated to provide stronger pricing once specific "Blue Rock tenders" are fully operational . We also formed a partnership with Delgatto Diamond Finance LLP to provide the working capital to allow flexibility in deciding when to sell given sales in Antwerp will initially take place only every two or three months in order to sell parcels of 5,000 carats or more.

We are still awaiting permission to export, which has been delayed by the impact that Covid-19 has had on the administration of such approvals; we are awaiting the final approval and will commence exports when the time is right. In the meantime, we have developed a further sales channel in South Africa using one of the local tender houses, which is offering our diamonds as a complete parcel and selling into niche markets. Through this channel, we have made two sales during and post period end at average prices of USD290 per carat and USD330 per carat respectively. Whilst these prices, as would be expected, are below those we were achieving last year, they were considered competitive in the prevailing market environment and enabled us to operate on a cash flow positive basis.

Production

A summary of production for H1 2020 is shown below:

	H1 2020	**H1 2019**	**Inc/Dec**
Tonnes processed (000)	165	120	37%
Grade cpht	3	4.2	-26%

Carats produced	4,981	4,938	1%

Despite being closed for approximately 50 days as a result of Covid-19, production increased by 37% to 165,000 tonnes compared with H1 2019. In addition, the first quarter was badly affected by the heaviest rains in a decade. Our management of the plant during the rainy season was a marked improvement over previous years and we expect this to improve further when the plant is moved as the design will handle difficult weather conditions much better.

As previously mentioned, now that we have recommenced mining in the lower levels, the grade has improved and has averaged 4.4 cpht since the beginning of July 2020. Carats produced did not increase over H1 2019 as the increased production was offset by the reduction in grade.

Costs

Our two internal measures of costs are per tonne and per carat. The cost per tonne measure is important as it focuses on production efficiency. Cost per carat is an indication of how profitable we are but is highly influenced by the grade. Our published target total South African cost per carat by the end of 2020 is USD220 per carat (excluding intercompany charges). We are already well on our way to achieving this and expect run rate costs to be lower than this by the end of the year.

Financials

In the first half of 2020, the Company made an operating loss of £1,498,000 on turnover of £1,292,000, compared with a loss of £471,000 on turnover of £1,366,000 in the first half of 2019.

The increase in operating loss was caused by three main factors: a) the impact of Covid-19 on production and prices; b) the cost of creating KV Main Pit; and c) the impact of the heavy rainfall in the first three months of the year.

The impact of Covid-19 was significant as it stopped production for 50 days and has had and continues to have an ongoing impact on prices. It is difficult to be exact about the financial impact that this has had but we estimate that the revenue impact to date is approximately £700,000 to £800,000.

The major cost involved in the development of KV Main Pit has been the lower grade arising from the necessity of mining nearer surface material. The increased dilution reduced the grade by c.1.2 cpht compared with the average grade for 2019. Based on the volume that was processed in the first half of 2020 of 165,000 tonnes, this has led to a direct reduction of c.2,000 carats. This has had a direct impact on revenue and an equal impact on profit of c.£600,000.

Cash and near cash on 30 June 2020 was £500,000, excluding restricted cash, and as at the date of this report is £2,100,000. This includes committed funds of £235,000 due from Teichmann from its subscription in July 2020, and approximately 2,860 carats in stock at an estimated value of $330 per carat.

The Group is expected to be operating cashflow positive and profitable in the second half of 2020.

Financing

In February 2020, the Company raised £1.9 million before expenses to increase production from an annual run rate of around 400,000 tonnes per annum to c.750,000 tonnes per annum. The funds were to be used to acquire additional plant and to fund the engineering works required to establish a two-line plant in a new safer location distant from KV Main Pit.

In July 2020, the Company raised a further £1.25 million before expenses. This fundraising was largely required to cover the costs of Covid-19. In addition, however, the decision had been taken to increase the run-rate to around one million tonnes per annum, an increase of c.250,000 tonnes compared with the original plans developed in January 2020.

At the same time as the July 2020 fundraising, the Convertible Loan Note holders granted the Company the option to extend the term of half of the face value of the convertible loan note of £925,000 by one year from its existing maturity date of October 2021. Following the fundraising in July 2020, the Convertible Loan Note became convertible into 555,721 shares at a price of 166p.

Guidance

Our guidance was suspended in March 2020 as a result of Covid-19. We are reinstating guidance although this is subject to any significant worsening in the Covid-19 environment. Set out below is a table, with guidance for the second half of the year and for 2021:

	2020			
	6m to June*	**6m to Dec**	**Total**	**2021**
Volume ('000 tonnes)	164	220 to 280	384 to 444	850 to 1,000
Grade (cpht)	3.04	4.00 to 4.60	3.60 to 4.02	4.0 to 4.6
Carats	5,013	8,800 to 12,900	13,800 to 18,000	34,000 to 46,000
Value per carat US$	306	330	300 to 350	330

The guidance is based on assumptions that during balance of 2020 and 2021, operations will not be affected by closures outside of what would be deemed normal mining shutdowns. We have given a wide guidance for 2021 as number of variables from commissioning and ramp up of new plant /weather conditions in Q1 and impact of Covid 19 on operations and market. The conservative value per carat at $330 (2019 $420) assumes that the market will remain under pressure through much of 2021, although we would look to achieve higher prices particular in second half of the year.

Outlook

Our core objective is focused on increasing production in sensible steps to the one million tonnes per annum target while reducing costs through the economies of scale and changes to the power structure. To this end, having acted quickly at the onset of Covid-19 to implement a robust 'reset and rebuild' strategy, we believe that we are in a much stronger position to navigate the 'New Norm' in our operations and in the market and build significant value for BlueRock shareholders.

Mike Houston
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.

****ENDS****

For further information, please visit BRD's website 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 November 2018, it was estimated that the remaining Inferred Mineral Resource from the four kimberlite pipes (KV1, KV2, KV3 and KV5) represents a potential inground number of carats of 367,000.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2020

Consolidated Statement of Financial Position

	Note	As at 30 June 2020 *Unaudited* £	As at 30 June 2019 *Unaudited* £	As at 31 December 2019 *Audited* £
Assets				
Non-current assets				
Property, plant, and equipment	5	1,136,229	516,525	778,920
Right-of-use assets	5	479,522	208,376	455,381
Mining assets	5	391,352	390,096	406,068
Other receivables	7	301,344	215,943	344,442
		2,308,447	**1,330,940**	**1,984,811**
Current assets				
Inventories	6	453,108	340,757	837,347
Trade and other receivables	7	186,031	197,086	56,703
Cash and cash equivalents (including restricted cash)	8	728,909	1,069,796	389,849
		1,368,048	**1,607,639**	**1,283,899**
Total assets		**3,676,495**	**2,938,579**	**3,268,710**
Equity and liabilities				
Equity Attributable to Equity Holders of the Parent				
Share capital	10	262,900	162,900	162,900
Share premium	10	5,747,980	4,147,980	4,147,980
Retained losses		(7,177,235)	(4,838,886)	(5,120,207)
Other reserves		3,691,010	2,948,198	3,118,484
		2,524,655	2,420,192	2,309,157
Non-controlling interest		(1,902,883)	(1,791,670)	(1,764,910)
		621,772	**628,522**	**544,247**
Liabilities				
Current liabilities				
Trade and other payables	11	634,869	725,098	880,584
Borrowings	12	171,507	51,601	156,698
Lease liabilities	12	7,872	21,502	13,195
Non-current liabilities				
Embedded derivative	12	20,085	10,312	10,359
Borrowings	12	1,432,282	1,001,067	906,130

Lease liabilities	12	504,521	193,981	454,508
Provisions	13	283,587	306,496	302,989
Total liabilities		**3,054,723**	**2,310,057**	**2,724,463**
Total equity and liabilities		**3,676,495**	**2,938,579**	**3,268,710**

Consolidated Statement of Comprehensive Income

	Note	**6 months ended 30 June 2020** *Unaudited* **£**	**6 months ended 30 June 2019** *Unaudited* **£**	**12 months ended 31 December 2019** *Audited* **£**
Revenue		1,292,056	1,366,163	4,073,853
Other income		641	93	911
Operating expenses		(2,790,880)	(1,837,502)	(4,546,931)
Operating loss		**(1,498,183)**	**(471,246)**	**(472,167)**
Finance income		13,086	7,201	25,460
Finance charges		(135,321)	(93,336)	(192,350)
Change in fair value of financial instruments designated at FVTPL		(9,725)	2,151	2,104
Foreign exchange (loss) / gain	3	(1,093,973)	174,203	(47,291)
Loss before taxation		**(2,724,116)**	**(381,027)**	**(684,244)**
Taxation		-	-	-
Total loss for the period		**(2,724,116)**	**(381,027)**	**(684,244)**
Total loss for the period, net of tax attributable to:				
Owners of the parent		(2,342,714)	(229,401)	(510,722)
Non-controlling interest		(381,402)	(151,626)	(173,522)
		(2,724,116)	**(381,027)**	**(684,244)**
Other Comprehensive Income:				
Exchange differences on translating foreign operations		936,266	(154,840)	32,297

Total comprehensive loss, net of tax		**(1,787,850)**	**(535,867)**	**(651.947)**
Total comprehensive loss, net of tax attributable to:				
Owners of the parent		(1,649,877)	(343,982)	(486,822)
Non-controlling interest		(137,973)	(191,885)	(165,125)
		(1,787,850)	**(535,867)**	**(651,947)**
Earnings per share – from continuing activities				
Basic and diluted	15	(1.00)	(0.28)	(0.21)

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Retained losses	Other reserves	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2019:	**44,352**	**3,460,309**	**(4,609,485)**	**2,330,670**	**1,225,846**	**(1,599,785)**	**(373,939)**
Loss for the period	-	-	(229,401)	-	(229,401)	(151,626)	(381,027)
Other comprehensive income:							
Foreign exchange movements	-	-	-	(114,581)	(114,581)	(40,259)	(154,840)
Total comprehensive loss:	**-**	**-**	**(229,401)**	**(114,581)**	**(343,982)**	**(191,885)**	**(535,867)**
Transactions with shareholders:							
Issue of share capital	118,548	1,450,452	-	-	1,569,000	-	1,569,000
Share issue expenses	-	(113,214)	-	-	(113,214)	-	(113,214)
Issue of share options and warrants	-	(649,567)	-	732,109	82,542	-	82,542
Total transactions	**118,548**	**687,671**	**-**	**732,109**	**1,538,328**	**-**	**1,538,328**

with shareholders:							
Balance at 30 June 2019 (unaudited):	**162,900**	**4,147,980**	**(4,838,886)**	**2,948,198**	**2,420,192**	**(1,791,670)**	**628,522**
Balance at 1 July 2019:	**162,900**	**4,147,980**	**(4,838,886)**	**2,948,198**	**2,420,192**	**(1,791,670)**	**628,522**
Loss for the period	-	-	(281,321)	-	(281,321)	(21,895)	(303,216)
Other comprehensive income:							
Foreign exchange movements	-	-	-	138,482	138,482	48,655	187,137
Total comprehensive loss:	**-**	**-**	**(281,321)**	**138,482**	**(142,839)**	**26,760**	**(116,079)**
Transaction with shareholders:							
Issue of share options	-	-	-	31,804	31,804	-	31,804
Total transactions with shareholders:	**-**	**-**	**-**	**31,804**	**31,804**	**-**	**31,804**
Balance at 31 December 2019	**162,900**	**4,147,980**	**(5,120,207)**	**3,118,484**	**2,309,157**	**(1,764,910)**	**544,247**
Balance at 1 January 2020:	**162,900**	**4,147,980**	**(5,120,207)**	**3,118,484**	**2,309,157**	**(1,764,910)**	**544,247**
Loss for the period	-	-	(2,342,714)	-	(2,342,714)	(381,402)	(2,724,116)
Other comprehensive income:							
Foreign exchange movements	-	-	-	692,837	692,837	243,429	936,266
Total comprehensive loss:	**-**	**-**	**(2,342,714)**	**692,837**	**(1,649,877)**	**(137,973)**	**(1,787,850)**

Transaction with shareholders:							
Issue of share capital	100,000	1,600,000	-	-	1,700,000	-	1,700,000
Issue of share options	-	-	-	165,375	165,375	-	165,375
Transfer lapsed share options to retained losses	-	-	285,686	(285,686)	-	-	-
Total transactions with shareholders:	**100,000**	**1,600,000**	**285,686**	**(120,311)**	**1,865,375**	**-**	**1,865,375**
Balance at 30 June 2020 (unaudited)	**262,900**	**5,747,980**	**(7,177,235)**	**3,691,010**	**2,524,655**	**(1,902,883)**	**621,772**

Consolidated Statement of Cash Flows

		6 months ended 30 June 2020 *Unaudited* **£**	**6 months ended 30 June 2019** *Unaudited* **£**	**12 months ended 31 December 2019** *Audited* **£**
Operating activities				
Cash used in operations	14	(1,104,383)	(359,484)	(362,022)
Net cash used in operating activities		**(1,104,383)**	**(359,484)**	**(362,022)**
Investing activities				
Purchase of property, plant and equipment	5	(47,173)	(101,258)	(569,367)
Proceeds on sale of property, plant and equipment	5	10,317	-	-
Movement in rehabilitation guarantee	7	(3,102)	(158,485)	(286,984)
Net cash used in investing activities		**(39,958)**	**(259,743)**	**(856,351)**

Financing activities				
Proceeds on share issue	10	1,634,406	1,448,786	1,448,786
Repayments of borrowings	12	(116,088)	(129,142)	(142,262)
Repayments of lease liabilities	12	(31,535)	(24,827)	(63,545)
Movement in restricted cash	8	(5,408)	(6,962)	(13,786)
Net cash received from financing activities		**1,481,374**	**1,287,854**	**1,229,193**
Net (decrease) / increase in cash and cash equivalents		**337,033**	**668,627**	**10,820**
Cash and cash equivalents at the beginning of the period	8	165,935	168,181	168,181
Foreign exchange differences		(3,381)	15,898	(13,066)
Cash and cash equivalents at the end of the period	8	**499,587**	**852,706**	**165,935**

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 2020.

These interim financial statements have not been audited or reviewed, 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 2019 were derived from the statutory accounts for the year to 31 December 2019, 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 2019 financial statements of BlueRock Diamonds plc, amended for new standards effective from 1 January 2020 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 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 2019.

The interim financial statements have been approved for issue by the Board of Directors on 29 September 2020.

Going concern

The Group has prepared forecasts covering the period to 31 December 2021. 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 and near cash balances of £2,100,000, including committed funds of £235,000 due from Teichmann from its subscription in July 2020, and approximately 2,860 carats in stock at an estimated value of $330 per carat, and no bank debt at 29 September 2020.

In making its going concern assessment, the Board has considered the higher level of uncertainty resulting from the impact of the COVID-19 pandemic in all aspects of its forecasting but particularly in relation to production, the market value of its diamonds and the timing of their sale. The board has implemented measures to a) ensure that unit costs of production are aligned with the likely weakening in pricing; b) ensure that operations comply with the regulations issued by the South African Government in respect of COVID-19; and c) has entered into a non-binding agreement with Delgatto Diamond Finance Fund LP ("DDFF") in order to provide bridging finance at 70% of market value between production and eventual sale at a time when it is reasonable to expect that diamond prices will have returned to a pre pandemic levels. It is the board's assessment that these measures will allow the company to operate using its own cash resources. Nevertheless, given the current uncertainty created by the COVID-19 pandemic, there are certain circumstances that could give rise to the Company needing to raise further finance from the equity market. These circumstances include changes in South African regulations relating to Coronavirus which require mining operations to be temporarily suspended or otherwise impact production, future diamond prices/valuations being below the cost of running the Kareevlei operations or DDFF opting not to provide finance as outlined in their letter of intent.

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. For this reason, we continue to adopt the going concern basis in preparing this half year report and accounts of the Group.

1.2 Changes in accounting standards and disclosures

There are no changes to the accounting policies as described in the 2019 annual financial statements.

The other amendments or interpretation, which are effective in 2020 and relevant to the Group's operations, do not have a significant effect on the Group's accounting policies.

The Group has not early adopted any standard or amendments that have been issued but not yet effective.

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 2019.

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 2020	**6 months ended 30 June 2019**	**12 months ended 31 December 2019**
	£	**£**	**£**
	Unaudited	***Unaudited***	***Audited***
Foreign exchange (loss) / gain	(1,093,973)	174,203	(47,291)

The foreign exchanges (loss) / gain relate to the translation of balances denominated in foreign currencies at year-end exchange rates.

4. Segmental reporting

Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker 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 2020 were £2,308,446 (June 2019: £1,330,939; December 2019: £1,984,809)

All revenue consists of sales of diamonds in South Africa through auctions as is customary in the industry. The Company sold its diamonds through auctions run by CS Diamonds (Pty) Ltd during the period. The group entered into an agreement with Bonas-Cousyns NV, an independent diamond and gemstone brokerage firm, for its diamonds to be marketed in Antwerp during the period.

5. Property, plant and equipment

	Cost / Valuation 30 June 2020 £	Accumulated depreciation £	Carrying value 30 June 2020 £ *Unaudited*
Motor vehicles	46,676	(22,216)	24,460
Plant and machinery	2,141,006	(1,029,237)	1,111,769
Right-of-use-assets	551,878	(72,356)	479,522
Mining assets	500,163	(108,811)	391,352
Total	**3,239,723**	**1,232,621**	**2,007,103**

Reconciliation of property, plant and equipment

	Carrying value 1 January 2020 £ Audited	Additions £	Depreciation £	Disposals and transfers £	FX revaluati on £	Carrying value 30 June 2020 £ *Unaudited*
Motor vehicles	21,475	8,113	(2,142)	-	(2.986)	24,460
Plant and machinery	757,445	580,294	(115,978)	-	(109,992)	1,111,769
Right-of-use-assets	455,381	125,805	(26,697)	(12,143)	(62,824)	479,522
Mining assets	406,068	51,764	(11,339)	-	(55,141)	391,352
	1,640,369	**765,976**	**(156,156)**	**(12,143)**	**(230,943)**	**2,007,103**

Right-of-use assets comprise the following:

Land and buildings	425,295	107,930	(25,310)	-	(58,491)	449,424
Motor vehicles	30,086	17,875	(1,387)	(12,143)	(4,333)	30,098
	455,381	**125,805**	**(26,697)**	**(12,143)**	**(62,824)**	**479,522**

6. Inventories

	30 June 2020 £ *Unaudited*	30 June 2019 £ *Unaudited*	31 December 2019 £ *Audited*
Diamonds on hand	338,971	340,757	527,300
Work in progress	107,250	-	294,880
Consumable stores	6,887	-	15,167
	453,108	**340,757**	**837,347**

7. Trade and other receivables

	30 June 2020 £ *Unaudited*	30 June 2019 £ *Unaudited*	31 December 2019 £ *Audited*
Current receivables:			
Trade receivables	-	443	-
Prepayments	10,471	12,917	4,830
VAT	98,331	27,533	50,489
Other receivables	77,229	156,193	1,384
Total current receivables	**186,031**	**197,086**	**56,703**
Non-current receivables			
Other receivables	301,344	215,943	344,442
Total non-current receivables	**301,344**	**215,943**	**344,442**

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

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.

8. Cash and cash equivalents

	30 June 2020 £ *Unaudited*	30 June 2019 £ *Unaudited*	31 December 2019 £ *Audited*
Cash in bank and on hand	728,909	1,069,796	389,849

The above includes unrestricted cash of 499,587, and bank balances to the value of £229,321 (30 June 2019: £217,090, 31 December 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.

9. Share Based Payments

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.

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

	30 June 2020		**31 December 2019**		**30 June 2019**	
	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	132.77	234,066	2,235.00	22,961	2,235.00	22,961
Granted	85.00	595,935	50.00	228,060	50.00	228,060
Lapsed	(5,500.00)	(1,551)	(688.70)	(16,955)	-	-
Exercised	-	-	-	-	-	-
Outstanding at the period / year end	88.35	828,450	132.77	234,066	205.00	251,021
Exercisable at the period / year end	92.65	362,835	211.39	120,037	210.00	120,037

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

The number of shares and price per share were adjusted for the share consolidation that was affected on 25 July 2019 at a ratio of 500:1.

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

	2019	**2020**	
	Tranche 9	**Tranche 10**	**Tranche 11**
Average grant date share price (p)	67.50	88.00	88.00
Average exercise price (p)	50.00	85.00	85.00
Share price volatility (p.a)	85.71%	82.79%	82.79%
Risk-free interest rate (p.a)	0.83%	0.48%	0.48%
Dividend yield (p.a)	0%	0%	0%
Average contractual life (years)	5	5	5
Average fair value per option (p)	48.43	57.70	57.70

The total share-based payment expense for the period ended 30 June 2020 was £165,375 (June 2019: £82,542; December 2019: £114,348).

10. Share capital and share premium

	30 June 2020 £ *Unaudited*	**30 June 2019 £ *Unaudited***	**31 December 2019 £ *Audited***
Number of Ordinary shares	5,258,004	1,629,001,910	3,258,004
Ordinary share capital of 5p (June 2019: 0.01p, December 2019: 5p) per share	262,900	162,900	162,900
Share premium	5,747,980	4,147,980	4,147,980
	6,010,880	**4,310,880**	**4,310,880**

In the period ended 30 June 2020 the following Ordinary share issues occurred:

Date of issue	Details of issue	Number of ordinary shares	Share capital £	Share premium £
At 1 January 2020		3,258,004	162,900	4,147,980
18 February 2020	Placing and equity issue	2,000,000	100,000	1,600,000
At 30 June 2020		**5,258,004**	**262,900**	**5,747,980**

On 25 July 2019, a share consolidation was approved whereby every 500 ordinary shares of 0.01 pence were consolidated into 1 ordinary share of 5 pence each. The number of ordinary shares in issue were adjusted accordingly at that date.

Details of warrants issued

2020:

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

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.

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

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

	11 February 2019	16 May 2019
Pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	155.00	67.50
Weighted average exercise price (pence)	200.00	100.00
Weighted average contractual life (years)	2	2
Share price volatility (%)	73.16%	85.71%
Dividend yield (%)	0%	0%
Risk-free interest rate (%)	0.72%	0.73%
Average fair value per warrant (p)	50.19	23.89

11. Trade and other payables

	30 June 2020 £ *Unaudited*	30 June 2019 £ *Unaudited*	31 December 2019 £ *Audited*
Trade payables	514,577	643,085	737,541

Accrued expenses	99,857	57,750	119,447
Other payables	20,435	24,263	23,596
	634,869	**725,098**	**880,584**

An amount of £151,643 (30 June 2019: £180,035, 31 December 2019: £175,092) 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 £20,435 (30 June 2019: £24,263, 31 December 2019: £23,596) which relates to an amount claimed by a former director and which, based on legal advice received by the company, is disputing in full. See note 17 for further details.

12. Borrowings and embedded derivative

	30 June 2020	**30 June 2019**	**31 December 2019**
	£	**£**	**£**
	Unaudited	***Unaudited***	***Audited***
Convertible loans	814,614	740,558	776,704
Loan facilities	789,175	312,110	286,124
Lease liabilities	512,392	215,483	467,703
	2,116,181	1,268,151	1,530,531
Embedded derivative	20,085	10,312	10,359
	2,136,266	**1,278,463**	**1,540,890**

	30 June 2020	**30 June 2019**	**31 December 2019**
	£	**£**	**£**
	Unaudited	***Unaudited***	***Audited***
Due within the year			
Loan facilities	171,507	51,601	156,698
Lease liabilities	7,872	21,502	13,195
	179,379	**73,103**	**169,893**
Due greater than one year			
Convertible loan	814,614	740,558	776,704
Loan facilities	617,668	260,509	129,426
Lease liabilities	504,521	193,981	454,508
	1,936,803	**1,195,048**	**1,360,638**

Convertible loans and embedded derivative

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

	Embedded derivative	Convertibl e loan	Total
	£	£	£
Balance at 1 January 2019	12,463	706,094	718,557
Finance charge: unwinding the discount factor	-	34,464	34,464
Fair value adjustment to embedded derivative	(2,151)	-	(2,151)
Balance at 30 June 2019	**10,312**	**740,558**	**750,870**
Finance charge: unwinding the discount factor	-	36,146	36,146
Fair value adjustment to embedded derivative	47	-	47
Balance at 31 December 2019	**10,359**	**776,704**	**787,063**
Finance charge: unwinding the discount factor	-	37,910	37,910
Fair value adjustment to embedded derivative	9,726	-	9,726
Balance at 30 June 2020	20,085	814,614	834,699

At 30 June 2020, the Group had in issue convertible loan stocks of £925,000 which has a term for 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 terms of the convertible loan note provide a mechanism for weighted conversion price revisions should additional funds be raised below the prevailing conversion price. The current conversion price is 166p.

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 (Pty) Ltd 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 facilities:

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.

During the period ended 30 June 2020 an interest charge of £5,517 (June 2019: £4,518, December 2019: £10,701) was recognised on the total capital drawn down. Outstanding at the period ended 30 June 2020 was £91,272 capital and £3,835 interest.

A Waugh and P Beck

BlueRock Diamonds Plc and its subsidiary Kareevlei Mining Proprietary Limited entered into a loan agreement with Adam Waugh (Former Non-Executive Director) and Paul Beck (Former Chairman) 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.

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:

- 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 if 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.

As at 30 June 2020 the balance payable to A Waugh was £137,477. Paul Beck's loan was paid in full during 2019.

Numovista (Pty) Ltd
During March 2020 Kareevlei Mining (Pty) Ltd entered into a sale of assets agreement with Numovista (Pty) Ltd whereby mining equipment were 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 £17,000. The effective interest rate is 9.75%. As at 30 June 2020 the balance payable was £557,090.

13. Provisions

Reconciliation of provisions

Rehabilitation costs	
	£
Balance at 1 January 2019	204,840
Change in estimate	93,622
Unwinding of discount	1,065
Exchange differences	6,969
Balance at 30 June 2019	**306,496**
Change in estimate	3,300
Unwinding of discount	1,272
Exchange differences	(8,079)
Balance at 31 December 2019	**302,989**
Change in estimate	7,937
Unwinding of discount	13,647
Exchange differences	(40,986)
Balance at 30 June 2020	**283,587**

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 2020.

In determining the amounts attributable to the rehabilitation provision at the Kareevlei mining area, management used a discount rate of 10% (30 June 2019: 10.25%, 31 December 2019: 10%), estimated rehabilitation timing of 10 years (30 June 2019: 5 years, 31 December 2019: 10 years) and an inflation rate of 4.9% (30 June 2019: 5.3%, 31 December 2019: 4.9%).

14. Cash used in operations

	30 June 2020	**30 June 2019**	**31 December 2019**
	£	**£**	**£**
	Unaudited	***Unaudited***	***Audited***
Loss before taxation	(2,724,116)	(381,027)	(684,244)
Adjustments for non-cash items:			
Depreciation and amortisation	156,156	176,224	371,927
Foreign exchange movement	1,093,973	(174,203)	47,291
Embedded derivative charge	9,725	(2,151)	(2,104)
Share based payment expense	165,376	82,542	114,347
Interest accrued on borrowings and lease liabilities	121,445	89.907	124,676
Interest accrued on provisions	13,647	1,065	2,337
Loss on sale of property, plant and equipment	2,052	-	-
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(67,946)	(125,260)	15,024
Increase/(decrease) in trade and other payables	(138,196)	122,322	295,912
(Increase) / decrease in inventories	277,148	(148,903)	(647,188)
	(1,104,383)	**(359,484)**	**(362,022)**

15. Earnings per share

	30 June 2020	**30 June 2019**	**31 December 2019**
	£	**£**	**£**
	Unaudited	***Unaudited***	***Audited***
Loss attributable to ordinary shareholders	(2,342,714)	(229,401)	(510,722)
Weighted average number of shares	2,344,380	828,480	2,470,871
Loss per share basic and diluted	(1.00)	(0.28)	(0.21)
Weighted average number of shares after dilution	2,344,380	828,480	2,470,871
Fully diluted earnings per share	(1.00)	(0.28)	(0.21)

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.

On 25 July 2019, a share consolidation was affected whereby every 500 ordinary shares of 0.01 pence were consolidated into 1 ordinary share of 5 pence each. The weighted number of ordinary shares for 30 June 2019 was adjusted to reflect the change and the comparative figures have been restated.

16. Related party transactions

Relationships	
Minority Interest - William van Wyk	Minority interest in Kareevlei Mining (Pty) Ltd
Michael Houston	Executive Chairman
David Facey	Financial Director
Tim Leslie	Non-Executive Director
Gus Simbanegavi	Chief Operating Officer
Adam Waugh*	Former Non-Executive Director
Teichmann Company Limited	Significant shareholder of BlueRock Diamonds Plc
Numovista (Pty) Ltd	Common shareholder with significant influence

* Adam Waugh resigned on 18 September 2019

Issue of Share Options

Share options issued to certain directors were as follows:

Director	**No. of Share Options issued**	**Exercise price per Share Option**
Mike Houston	181,564	85p
David Facey	116,404	85p
Gus Simbanegavi	297,967	85p

Refer to note 9 for details of the share options granted during the period.

Following the grant of the Share Options, Mike Houston, David Facey and Gus Simbanegavi held share options and warrants as follows:

Director	**Total no. of share options held**	**Total no. of warrants held**	**Total no. of warrants and share options held**
Mike Houston	279,304	30,000	309,304
David Facey	181.564	20,000	201,564
Gus Simbanegavi	363,127	10,000	373,127

Borrowings from related parties

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. As at 30 June 2020 the balance payable on the lease facility was £28,655 (June 2019: £30,121; December 2019: £26,918).

Interest paid: £1,575 (June 2019: £1,953; December 2019: £3,759)

A Waugh

As at 30 June 2020 the balance due on the loan facility granted to the group was £137,477 (30 June 2019: £172,270, 31 December 2019: £169,127). See note 12 for further details.

Interest paid: £6,583 (June 2019: £11,137; December 2019: £27,741)

Numovista (Pty) Ltd

As at 30 June 2020 the balance due on the loan facility granted to the group was £557,090. See note 12 for further details.

Trade payables due to related party

Teichmann Company Limited - £166,339 (30 June 2019: null, 31 December 2019: £179,054)

Transactions with related parties:

Teichmann Company Limited – Contractor fees paid - £468,257 (30 June 2019: null, 31 December 2019: £739,202)

A Waugh – Consulting fees paid - £25,000 (30 June 2019: £null, 31 December 2019: £null)

Directors' remuneration

The following directors' remuneration were paid during the period:

M Houston – received fees of £29,500 (30 June 2019: £17,510, 31 December 2019: £55,417)

D Facey – received fees of £29,000 (30 June 2019: £18,000, 31 December 2019: £56,000)
G Simbanegavi – received fees of £65,327 (30 June 2019 and 31 December 2019: £null)
T Leslie – received fees of £9,167 (30 June 2019: £null, 31 December 2019: £10,000)
A Waugh – received fees of £null (30 June 2019: £40,000, 31 December 2019: £40,000)

At 30 June 2020 the Group was owed £270,974 from the Teichmann Group in accordance with the agreed payment terms of their participation in the February 2020 subscription. This amount was paid in August 2020.

17. Contingent liabilities

The amounts payable to CB Visser and his related companies as disclosed in note 11, are 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 £260,108 of which £172,078 has been accounted for under trade and other payables. The Group has given security for the amount of £229,321 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.

18. Events after the reporting period

Fundraising

On 16 July 2020, the group successfully raised an aggregate before expenses of £1.25 million via the issue of 3,571,429 ordinary shares of 5 pence each in the capital of the Company through a placing and subscription at 35 pence per share. The group will use the majority of the funding to fast-track its growth plans and strengthen its balance sheet.