

BlueRock Diamonds plc

("BlueRock" or "the Company")

12 July 2016

Update on Strategic Review

BlueRock Diamonds is pleased to give the following update on its ongoing strategic review.

Plant Upgrade

As previously announced we decided to review our plant configuration following the drop in recovered grade during the first quarter of this year. Our initial findings, with the help of Dr Kurt Peterson, showed a number of areas that were likely to have contributed to the lower recovered grade. These include sub optimal setting size on our screens, some inefficiencies in our pan operations, unnecessary recycling of material through the tertiary crushing circuit and a non-representative supply of ROM (Run of Mine) Kimberlite. Operations at Kareevlei were suspended in June to allow for the required changes to the plant. These modifications are close to completion and we expect to see a recovery in grade and also increased capacity of the plant when we restart operations.

We continue to investigate ways to increase production through the plant and have identified some bottlenecks in our process. The most significant of these is our DMS (Dense Material Separator). We have identified a nearly new DMS which is twice the size of our installed machine and which is available in the Northern Cape and our operations team is currently assessing the benefits of its acquisition.

Department of Mineral Resources (DMR)

The DMR is the government's regulatory organisation responsible for all aspects of mining operations in South Africa. Kareevlei mine had its first visit from the DMR on 6th July when an inspection of operations took place. Our operations were found to be compliant save for two areas; processing plant procedures and guarding rails on the plant, and Trackless Mobile Machinery (TMM). We expect to be able to make the necessary changes to our operational procedures and guarding rails within the next four to five weeks when the DMR will revisit our mine at which time we expect to have completed the required changes to our plant. Accordingly, we anticipate restarting operations at that time. We welcome the observations made by the DMR and expect the suggested changes will go to help to maintain our 100% record on safety at work.

The DMR has also notified us that they will require an increase in our rehabilitation guarantee from ZAR280,000 (c£15,000) to approximately ZAR2,150,000 (c£115,000), reflecting the increased scale of our operations. This will require us to deposit an amount equal to the increase in the bank that will provide the guarantee to the DMR.

Diacar

The assessment given by the DMR regarding TMMs all relate to machinery owned by our contractor Diacar. Diacar, having reviewed the DMR requirement to bring its fleet up to the required standard, has decided to withdraw from its agreement with BlueRock to provide earth moving services. Our relationship with Diacar was already being assessed as part of the review process in order to ensure that we were operating on the best possible terms. The result of the DMR inspection and Diacar's decision not to implement their requirements has expedited this process and we expect to be able to resolve this matter either through appointing another contractor or through leasing and operating the equipment ourselves during the final stages of effecting the final changes to our plant.

Diacar has also stated its wish to sell its processing plant (the “Diacar Plant”) and we are currently considering the economics of such a purchase. Should we decide to acquire the Diacar Plant we will be able to retain 100% of all diamond revenues coming from the mine which we believe will outweigh the increased operating cost that we would need to assume.

Future Funding

We now have an opportunity to widen our strategic review to include the Diacar Plant. A detailed financial assessment of all areas including working capital requirements, taking into account the temporary suspension of operations, and future capital expenditure is well underway and a further announcement will be made shortly.

Adam Waugh, CEO stated

“Our operations at Kareevlei have reached a very exciting stage. The pit development work we have done in the last three months will provide us with a sustainable supply of high grade Kimberlite and I am confident the ongoing work on plant efficiency will result in higher grades and improved processing capacity. In addition, we now have the opportunity and the management team necessary to operate both our plant and the Diacar Plant, in order to benefit from 100% of diamond sales, and to manage more efficiently our earthmoving programme providing a platform for long term profitable mining.”

Adam Waugh CEO

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About BlueRock Diamonds plc (AIM:BRD)

BlueRock is a diamond mining company with activities in the Kimberley region of South Africa. BlueRock own a diamond processing plant and the mining right over the Kareevlei Tenements in South Africa.