BlueRock Diamonds plc

Preliminary results for the year ended 31 December 2014

19 May 2015

BlueRock Diamonds (AIM: BRD) is pleased to announce its final results for the year ended 31 December 2014.

Strategic Report

Chairman's Statement

Dear Shareholders,

I am pleased to report that our new plant is now fully operational and we are in commercial production processing at a rate of approximately 80 tonnes of kimberlite per hour. This is the culmination of almost 18 months of hard work during which we have completed our trial mining and constructed our new processing plant.

We were pleased with the results of the trial mining from which we recovered 575 carats. These were sold at an average price of US$248, some 36% higher than anticipated in the Competent Person's Report published at the time of our admission to AIM ("CPR"). Whilst we will have a more accurate picture once we have been operating the new plant for a couple of months, evidence to date suggests that recovery grades will be in line with, if not higher than, those set out in the CPR.

Following the success of the trial mining, we took the decision in the summer of 2014 to upgrade the original plant, which while serviceable, was unable to process sufficient volume in order for the Company to reach commercial production.

The new plant was financed through a non-interest bearing convertible loan from one of our shareholders of £450,000. The total cost of the equipment purchased and constructed was approximately £300,000 and the remainder of the funds have provided the working capital required during the period of construction of the new plant. We have kept the costs to a minimum in large part through the judicious purchase of nearly new equipment and the expertise of our local team.

We have designed our new plant in accordance with current industry practice in consultation with experienced mining and production engineers. Our new configuration is based on tried and tested pan technology that is being used successfully by other diamond miners in the region and elsewhere. We do not anticipate major processing issues going forward.

Initially we will operate one shift a day during which we will fine tune the plant. After this period we intend to move to two shifts a day, as is normal in the industry. Whilst doubling our capacity and revenue potential, a second shift will only require a 30% increase in our workforce.

During the construction period we have been preparing for production by continuing with our mining activities. We have a current stockpile of around 50,000 tonnes of kimberlite ready to be processed. This stockpile has been excavated from pipes K1 and K2 only and to date we have dug down to a depth of around 22 metres on a portion of these pipes.

We have not yet begun to mine pipes K3, K4 or K5. Following the introduction of a second shift, we will evaluate further how best to exploit the three undeveloped pipes.

I would like to thank everyone at BlueRock and, in particular, Willy Van Vyk our partner in Kimberley and his team in the Northern Cape for all their efforts and I look forward to updating you on our progress in the near future.

Paul Beck

Non-executive Chairman

Strategic Report

Chief Executive Officer's Review

This year has been an exciting year for the Group as we marked completion of trial mining at our Kareevlei property in South Africa and the start of construction of a much larger processing plant. Ministerial consent to transfer the mining right to Kareevlei Mining Pty Limited ("Kareevlei Mining"), our 74% owned subsidiary, was also granted during the year and the right was registered in Kareevlei Mining's name in September 2014.

Financial review

Revenue and profitability

In 2014, the Group made a loss of £430,000 (2013: £537,000) on turnover of £65,000 (2013: Nil). The loss in 2014 effectively reflects the cost to the Group of the trial mining phase that was completed during the year. The turnover reflects the sale of 462 carats at an average price of US$223 per carat.

Cash flows

Investments

During the year we invested approximately £300,000 in the purchase of plant and equipment and £134,000 in non-current assets being the mining right and rehabilitation costs. The majority of the plant and equipment acquired relates to the construction of the new plant. The balance relates largely to equipment required for the operation of the trial mining plant.

Financing

The investment in the new plant was financed through the issue of a convertible loan of which £400,000 was drawndown during the period.

Cash position

At the end of the period the Group cash balance was £248,000. Since the year end, we have drawn down a further £50,000 of the convertible loan and have sold the remainder of the diamonds that we had on hand. Now that we have restarted production we are revenue generating again and expect to make our first sales since commissioning of the new plant, in the June auction.

Trial mining

The objectives of the trial mining phase were to verify the reliability of the historic sampling data and to establish the revenue per carat based on current prices. We have concentrated on the K1 and K2 pipes and I am pleased to say that the grades achieved equalled or slightly exceeded the expected grades. All 575.79 carats of diamonds recovered during trial mining were sold on tender through a Johannesburg based tender house and we achieved an average price of US$248 per carat, 36% above prices anticipated in the CPR. The highest price of US$2,455 per carat was received for a 3.8 carat stone with a number of stones realising prices above US$1,500 per carat. This adds further weight to our belief that Kareevlei will be a high value diamond producer. After achieving our trial mining objectives, the Board took the decision to upgrade and enlarge the effective capacity of the existing processing plant from 25 tonnes per hour to 80 tonnes per hour.

In December 2014, we halted processing of kimberlite through the existing plant to allow construction of the new plant to commence, which included the addition of rotary pans to the existing DMS plant and an enlarged and more efficient crushing circuit. We are confident that the new plant will enable us to profitably produce sufficient diamonds at a lower operating cost per tonne in 2015.

We are yet to explore the remainder of the Kareevlei property but based on the sampling data received from the previous owners, particularly the K5 pipe, we believe that it still offers excellent medium to long term growth opportunities for the Company.

Post balance sheet

The construction of the new plant has now been completed and the vertical shaft impact ("VSI") crusher has now been commissioned. The plant is now designed to process approximately 14,000 tonnes per month, based on an 8 hour shift, which we expect, based on grades seen to date, will significantly increase our diamond recoveries.

We look forward to updating you on our progress throughout the year.

The outlook for the diamond market remains very positive and we expect that prices for quality diamonds, as produced by Kareevlei, will further increase in 2015.

As mentioned in my 2013 report, there has been a marked increase in prospecting activities in the Northern Cape during 2014 and we expect that new opportunities for the Company will flow from it.

I wish to thank our South African partner and our employees for their effort this year and look forward to working with them in 2015.

Riaan Visser

Chief Executive Officer

Strategic Report

Operational Review

During the period, the Company successfully completed the trial mining phase using material excavated from the K1 and K2 pipes by opencast mining methods and treatment through the existing DMS processing plant. During the trial period, a total of approximately 13,000 tonnes of kimberlite was processed to DMS concentrate with final diamond recovery conducted at the Company's secure recovery plant in Kimberley.

Once the upper 10m levels of the pipes, consisting of diluted calcretised kimberlite, had been removed to an overburden stockpile, mining has been focussed on the weathered kimberlite levels to approximately 22m from surface in a portion (approximately 35%) of the pit. The kimberlite was drilled, blasted, and excavated to pre-headfeed stockpiles. Dry screening and crushing into acceptable plant feed size fractions proved beneficial to the treatment process, and these methods will be adopted for the newly upgraded plant configuration.

The contracted mining and infield crushing and screening activities continued during the first months of 2015. Surface stockpiles of sized kimberlite ready for processing in the upgraded plant are sufficient for a 3 to 4 month treatment period at the increased throughput rate.

During the trial mining, all diamond resource variables for K1 and K2 that were evaluated in the sampling data acquired from the previous owners have now been tested. These include the estimated kimberlite pipe morphology, vertical rock type variability, and weathering penetration recorded during the early evaluation phases. In addition, the grade, density, and revenue estimates have also been analysed during this trial period. Of significance is the consistently higher price per carat revenues realised at the five tender sales of the Kareevlei diamond parcels as compared with the estimate set out in the CPR produced at the time of the IPO.

The recently upgraded Kareevlei processing plant will provide us with greater flexibility of processing options. These include primary and secondary crushing, scrubbing and sizing, rotary pan pre-concentration, followed by final concentration in the DMS. In addition, a vertical shaft impact crusher has been installed in a tertiary re-crush role to liberate diamonds trapped in uncrushed kimberlite pieces, which we expect will increase recovery rates.

John Kilham

Chief Technical Officer

Strategic Report

Risk Management

Principal risks and uncertainties

Introduction

The principal risks that relate to the Group have been set out below, categorised as follows:

- Operational risks
  - Risks relating to the Group's operations including mining
- Economic risks
  - Risks associated with changes in the markets in which the Group operates
- Country risks
  - Specific risks relating to the Group's main country of operation, South Africa
- Other risks
  - Other significant risks

Operational risks

Reliability of mineral resource and reliance on historic data

The calculation of a mineral resource involves significant assumptions and estimates that may prove inaccurate, including assumptions of diamond prices. In calculating the Inferred Mineral Resource at the Kareevlei tenements, reliance was placed upon measurements and data collected by Diamond Resources (the vendor of the Kareevlei tenements) and other parties. There can be no guarantee that predicted grades will continue to materialise or that the resource will be economically viable. The Company has mitigated this risk by undertaking trial mining designed to provide further evidence to support the mineral resource estimates set out in the CPR prior to expanding our production facilities.

Exposure to mining hazards

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

Security risks

Whilst the Group has implemented security procedures, there can be no guarantee that theft of plant, machinery or diamonds will not occur. Should any theft occur, the Company may suffer adverse financial consequences. We have mitigated this risk by ensuring that our security team is present at all times.

Economic risks

Exposure to a decrease in rough diamond prices

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

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

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

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

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

Country risks

Operations in South Africa

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

Financial Risk Management

Details of the Group's financial risk management policies are set out in Note 24 of the Financial Statements

Other risks

Status of Kareevlei Mining's BEE partner

Under South African law, it is a requirement that any mining asset is at least 26 per cent. owned by a BEE partner. Kareevlei Mining's BEE partner, Ghaap Mining, holds 26 per cent. of the shares in Kareevlei Mining. Ghaap Mining is a South African private company wholly owned by Mr. William Alexander van Wyk who, in terms of South African legislation, is considered to qualify as a historically disadvantaged South African ("HDSA"). Should Mr. van Wyk cease to or be deemed not to qualify as an HDSA, there is a risk that the BEE partner may not meet its obligations to the Company which may cause the Company to incur unforeseen additional costs or losses.

Key Performance indicators

Given the early stage nature of the Group's activities the Directors are of the opinion that analysis using financial KPI's is not appropriate for an understanding of the development, performance or position of the business at this time. The Directors constantly review the expenditure and general operating costs to ensure that cash resources are available prior to commitment to this expenditure. In addition to the above, non-financial factors such as compliance with environmental, rehabilitation and other legislation within the Group's area of operation are also considered.

The Strategic Report has been approved

By order of the board

Riaan Visser - Director
18 May 2015

The report and accounts for the year ended 31 December 2014, including the notice of Annual General Meeting ("AGM"), will be posted to shareholders and will be available for download from the Company's website www.bluerockdiamonds.co.uk shortly. The AGM will be held at the offices of SP Angel Corporate Finance LLP at 35-39 Maddox Street, London W1S 2PP on 25 June 2015 at 10.00a.m.

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Consolidated and Company Statement of Financial Position

Figures in Pounds	Note(s)	Group 31 December 2014	Company 31 December 2014	Group 31 December 2013	Company 31 December 2013
Assets					
Non-Current Assets					
Property, plant and equipment	5	485,605	-	265,918	-
Mining rights	6	81,352	-	-	-
Mining rehabilitation	6	53,007	-	-	-
Investment in subsidiary	7	-	5	-	5
		619,964	**5**	**265,918**	**5**
Current Assets					
Inventories	8	23,629	-	-	-
Loan to group company	9	-	1,259,377	-	519,633
Trade and other receivables	10	35,729	139,048	129,336	51,731
Cash and cash equivalents	11	247,986	229,305	674,574	650,296
		307,344	**1,627,730**	**803,910**	**1,221,660**
Total Assets		**927,308**	**1,627,735**	**1,069,828**	**1,221,665**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital and share premium	13	1,561,184	1,561,184	1,561,184	1,561,184
Retained earnings		(976,919)	(377,216)	(536,512)	(384,032)
Equity reserve	16	149,600	149,600	-	-
Foreign exchange difference		10,732	-	-	-
		744,597	1,333,568	1,024,672	1,177,152
Non-controlling interest		(206,996)	-	(53,588)	-
		537,601	**1,333,568**	**971,084**	**1,177,152**
Liabilities					
Current Liabilities					
Trade and other payables	15	61,459	38,912	77,899	44,513
Non-Current Liabilities					
Borrowings	16	255,255	255,255	-	-
Provisions	14	72,993	-	20,845	-
		389,707	**294,167**	**98,744**	**44,513**
Total Equity and Liabilities		**927,308**	**1,627,735**	**1,069,828**	**1,221,665**

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2015. They were signed on its behalf by:

Riaan Visser – Director

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Figures in Pounds	Note(s)	12 months ended 31 December 2014	14 months ended 31 December 2013
Revenue	3	65,084	-
Other income		-	14,985
Operating expenses	17	(659,726)	605,085)
Operating loss		**(594,642)**	**(590,100)**
Taxation		(2,943)	
Total loss for the year		**(597,585)**	**(590,100)**
Other Comprehensive Income			
Items that will be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		14,502	-
Other comprehensive income for the year net of tax		**14,502**	**-**
Total comprehensive income for the year		**(583,083)**	**(590,100)**
Total comprehensive income, net of tax attributable to:			
Owners of the parent		(429,675)	(536,512)
Non-controlling interest		(153,408)	(53,588)
		(583,083)	**(590,100)**
Earnings per share – from continuing activities			
Basic and diluted	22	(0.01)	(0.03)

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements

Consolidated and Company Statement of Changes in Equity

Figures in Pounds	Equity reserve	Share capital	Share premium	Total share capital	Accumulated loss	Foreign Exchange reserve	Total attributable to equity holders of the Group / company	Non-controlling interest	Total equity
Group									
Balance at 31 December 2013	-	315,250	1,245,934	1,561,184	(536,512)		1,024,672	(53,588)	971,084
Minority interest	-	-	-	-	-		-	-	-
Loss for the year					(440,407)		(440,407)	(157,178)	(597,585)
Foreign exchange difference	-	-	-	-	-	10,732	10,732	3,770	14,502
Total comprehensive loss for the year	-	-	-	-	**(440,407)**	**10,732**	**(429,675)**	**(153,408)**	**(583,083)**
Transactions with owners									
Issue of convertible loan notes	149,600	-	-	-	-		149,600	-	149,600
Total changes	149,600	-	-	-	(440,407)	10,732	(280,075)	(153,408)	433,483
Balance at 31 December 2014	149,600	315,250	1,245,934	1,561,184	(976,919)	10,732	(744,597)	(206,996)	537,601
Note		14	14	14					
Company									
Balance at 31 December 2013	-	315,250	1,245,934	1,561,184	(384,032)		1,177,152	-	1,177,152
Profit for the year					6,816		6,816		6,816
Other comprehensive income	-	-	-	-	-		-	-	-
Total comprehensive profit for the year	**-**	**-**	**-**	**-**	**6,816**		**6,816**	**-**	**6,816**
Transactions with owners									
Issue of convertible loan notes	149,600	-	-	-	-		149,600	-	149,600
Total changes	149,600	-	-	-	6,816		156,416	-	156,416
Balance at 31 December 2014	**149,600**	**315,250**	**1,245,934**	**1,561,184**	**(377,216)**		**1,333,568**	**-**	**1,333,568**
Note		14	14	14					

Figures in Pounds	Share capital	Share premium	Total share capital	Accumulated loss	Total attributable to equity holders of the Group / company	Non-controlling interest	Total equity
Group							
Balance at 11 October 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year				(536,512)	(536,512)	(53,588)	(590,100)
Other comprehensive income							
Total comprehensive loss for the year	-	-	-	(536,512)	(536,512)	(53,588)	(590,100)
Transactions with owners							
Issue of shares	315, 250	1,245,934	1,561,184	-	1,561,184	-	1,561,184
Total changes	315, 250	1,245,934	1,561,184	(536,512)	1,024,672	(53,588)	971,084
Balance at 31 December 2013	**315, 250**	**1,245,934**	**1,561,184**	**(536,512)**	**1,024,672**	**(53,588)**	**971,084**
Note	14	14	14				
Company							
Balance at 11 October 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year				(384,032)	(384,032)		(384,032)
Other comprehensive income							
Total comprehensive loss for the year	-	-	-	(384,032)	(384,032)	-	(384,032)
Transactions with owners							
Issue of shares	315,250	1,245,934	1,561,184	-	1,561,184	-	1,561,184
Total changes	315,250	1,245,934	1,561,184	(384,032)	1,177,152	-	1,177,152
Balance at 31 December 2013	**315,250**	**1,245,934**	**1,561,184**	**(384,032)**	**1,177,152**	**-**	**1,177,152**
Note	14	14	14				

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements.

Consolidated and Company Statement of Cash Flows

Figures in Pounds	Note(s)	Group 12 months ended 31 December 2014	Company 12 months ended 31 December 2014	Group 14 months ended 31 December 2013	Company 14 months ended 31 December 2013
Operating activities					
Cash used in operations	18	(401,748)	(81,247)	(620,155)	(402,622)
Net cash used in operating activities		**(401,748)**	**(81,247)**	**(620,155)**	**(402,622)**
Investing activities					
Purchase of property, plant and equipment	5	(290,481)	-	(266,455)	-
Purchase of non-current assets		(134,359)	-	-	-
Increase in investment in subsidiary		-	-	-	(5)
Increase in loan advanced to group company		-	(739,744)	-	(519,633)
Interest income		-	-	-	11,372
Net cash used in investing activities		**(424,840)**	**(739,744)**	**(266,455)**	**(508,266)**
Financing activities					
Proceeds on share issue (net of issue costs)	13	-	-	1,561,184	1,561,184
Proceeds on convertible loan notes issue	16	400,000	400,000	-	-
Net cash from financing activities		**400,000**	**400,000**	**1,561,184**	**1,561,184**
Net change in cash and cash equivalents		**(426,588)**	**(420,991)**	**674,574**	**650,296**
Cash and cash equivalents at the beginning of the year		674,574	650,296	-	-
Cash and cash equivalents at the end of the year	11	**247,986**	**229,305**	**674,574**	**650,296**

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements.

Accounting Policies

1. Publication of non-statutory accounts

In accordance with section 435 of the Companies Act 2006, the Directors advise that the financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2014, but is derived from these financial statements. The financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements for the year ended 31 December 2014 will be forwarded to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on these financial statements; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The consolidated statement of financial position at 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar.

1.1 Basis of preparation

The preliminary announcement is extracted from the consolidated financial statements of all the entities within the Group. The financial statements of the subsidiary is prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.
The preliminary announcement has been prepared under the historical cost convention.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets or liabilities, are eliminated in full.

1.2 Significant judgements and sources of estimation uncertainty

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

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 those estimates.

Significant estimates
The estimates and underlying assumptions are reviewed on an on-going 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. The key areas are summarised below:

Rehabilitation provision
Estimates and assumptions are made in determining the amount attributable to the rehabilitation provision. These deal with uncertainties such as legal and regulatory framework, timing and future costs. The carrying value of the rehabilitation provision is disclosed in note 14.

Useful lives of property, plant and equipment
Depreciation rates detailed below are considered by management to fairly reflect the expected useful lives of the respective asset categories. The property, plant and equipment accounting policy provides further detail.

Impairment of non-current assets
The outcome of on-going exploration, and therefore whether the carrying value of the machinery and equipment and funds in trust will ultimately be recovered, is inherently uncertain.

The ability of the Group to realise the carrying values of these assets is contingent upon production or discovery of economically recoverable mineral reserves, the on-going title to the resource properties, the ability of the Group to finance the development of the properties and on the future profitable production or proceeds from the property. The success of the Group's mineral exploration properties is also influenced by significant risks, including legal and political risks and future diamond prices.

The Directors make the judgements necessary to implement the Group’s policy with respect to capitalisation of these assets and consider them for impairment at least annually with reference to indicators in IAS 36. If an indication exists, an assessment is made of the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected future cash flows) and fair value less costs to sell. Value in use is estimated based on operational forecasts for advanced stage projects with key inputs that include diamond resources, diamond prices, production levels including grade and tonnes processed, production costs and capital expenditure. However, because of the above-mentioned uncertainties, actual future cash flows could materially differ from those estimated. The carrying values of property, plant and equipment are set out in note 5.

Valuation of assets and liabilities
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 27).

Judgements in applying the Group's accounting policies
In the process of applying the Group's accounting policies, management make various judgements that can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

Deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised. Note 4 provides further detail. There is a key judgement in that the amounts potentially involved are uncertain of recovery.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Mining infrastructure, which includes evaluation and development costs capitalised prior to commencement of production, are depreciated using a unit of production method based on the carats produced over the estimated economically recoverable reserves.

Motor vehicles and plant and machinery are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Mining infrastructure	Unit of production method
Motor vehicles	5 years
Plant and machinery	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Mining Rights

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

1.5 Mining Exploration and Development Costs

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

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

No depreciation is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programmes, which will be deferred and depreciated over the remaining life of the related assets.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management.

Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of comprehensive income.

1.6 Investment in subsidiary

Company annual report and accounts

In the Company's accounts, the investment in subsidiary is carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company at the date of exchange.

1.7 Inventories

Inventories, which include rough diamonds, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost of production includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. Net realisable value also incorporates costs of processing in the case of the ore stockpiles. Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value. Work in progress is stated at raw material cost including allocated labour and overhead costs.

1.8 Revenue

Revenue is measured at the fair value of consideration receivable.

Revenue comprises net invoiced diamond sales to customers excluding VAT. Diamond sales are made through a competitive tender process and recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of future economic benefits is probable. This is deemed to be the point at which the tender is awarded.

1.9 Income Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates and laws that are expected to apply to their respective period of realisation, provided those rates and laws are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.
Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

1.10 Mining Rehabilitation asset

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

1.11 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Management considers that the Group's financial liabilities comprise trade and other payables.

Convertible loan notes

The convertible loan notes are accounted for as compound instruments. The fair value of the liability portion of the convertible loan notes is determined using a market interest rate on an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds are allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects and is not subsequently re-measured.

Trade and other payables

Trade and other payables are not interest bearing and are recognised initially at fair value. Subsequently they are carried at amortised cost.

Financial assets

The Group classifies its financial assets under the definitions provided in International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and measurement, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Management considers that the Group's financial assets fall under the 'loans and receivables' category.

Loans between group companies

This includes loans between the holding company and its subsidiary which are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are subsequently classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

1.12 Cash and cash equivalents

Cash and cash equivalents consist of highly liquid instruments, such as bank deposits, certificates of deposit, time deposits, treasury notes and other money market instruments, which have maturities from inception of less than three months.

1.13 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service on an accruals basis.

1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.15 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

1.16 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

1.17 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Pounds are translated into Pounds upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Pounds at the closing rate at the reporting date. Income and expenses have been translated into Pounds at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

1.18 Equity, reserves and dividend payments

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

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

Other components of equity include the following:

- Translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling
- Retained earnings includes all current and prior period retained profits
- Equity reserve represents the fair value, of the equity component of the convertible loans, assessed at initial drawdown of the convertible loan.

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

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

1.19 Share-based employee remuneration

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

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

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

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

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

2. New Standards and Interpretations

The following new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2014. The implementation of these standards is not expected to have a material effect on the Group.

Standard

- IFRS 10 ‘Consolidated Financial Statements’ (IFRS 10)

- IFRS 10 supersedes IAS 27 ‘Consolidated and Separate Financial Statements’ (IAS 27) and SIC 12 ‘Consolidation-Special Purpose Entities’. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group’s investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

- Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries) of any of the Group’s investees held during the period or comparative periods covered by these financial statements.

- IFRS 12 ‘Disclosure of Interests in Other Entities’ (IFRS 12)
  IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

2.1 Standards and interpretations not yet effective

Standards, amendments and interpretations which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	ry 2017

The implementation of these standards is not expected to have a material effect on the Group.

3. Segmental reporting

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

The Group's operations relate to the exploration for, and development of mineral deposits in the Kimberley region of South Africa and as such the Group has only one reportable segment. The non-current assets in the Kimberley region are £589,004.

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 Flawless Diamonds.

4. Tax expense

	Company 2014	**Company 2013**
	£	**£**
Current tax	2,943	-
Deferred tax	-	-
Income tax expense for the year	2,943	-

Factors affecting the tax charge for the year

Profit/(loss) before tax	14,613	(384,032)
UK rate of taxation	20%	20%
Profit/(loss) before tax multiplied by the UK rate of taxation	2,923	(76,806)
Effects of:		
Expenses not deductible for tax purposes	20	35,935
Losses brought forward	(40,871)	-
Losses carried forward	40,871	40,871
Tax expense	2,943	-

The Group has gross tax losses and temporary differences of £204,357 for which no deferred tax asset has been recognised.

5. Property, plant and equipment

Group

	2014			2013		
	Cost / Valuation	**Accumulated depreciation**	**Carrying Value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying Value**
Mine infrastructure	31,847	(6,002)	25,845	18,529	(537)	17,992
Motor vehicles	6,304	(2,117)	4,187	6,547	-	6,547
Plant and machinery	508,594	(53,021)	455,573	241,379	-	241,379
Total	**546,745**	**(61,140)**	**485,605**	**266,455**	**(537)**	**265,918**

Reconciliation of property, plant and equipment - Group – 2014

	Opening balance	Additions	Depreciation	FX revaluation	Total
Mine infrastructure	17,992	13,990	(5,465)	(672)	25,845
Motor vehicles	6,547	-	(2,117)	(243)	4,187
Plant and machinery	241,379	276,491	(53,021)	(9,276)	455,573
	265,918	**290,481**	**(60,603)**	**(10,191)**	**485,605**

6. Mining Rights and Mining Rehabilitation

	Opening balance	Additions	Depreciation	FX revaluation	Total
Mining Rights	-	81,352	-	-	81,352
	-	**81,352**	**-**	**-**	**81,352**

The addition in the year relates to the transfer of the mining right to Kareevlei Mining Pty Limited following receipt of ministerial consent. The mining right was registered in September 2014.

	Opening balance	Additions	FX revaluation	Total
Mining Rehabilitation	-	52,148	859	53,007
	-	**52,148**	**859**	**53,007**

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

7. Investment in subsidiary

Name of company	% holding 2014	Carrying amount 2014
Kareevlei Mining Proprietary Limited	74%	5

Name of subsidiary	Location	Net loss after tax (2014) (South African Rand)	Net loss after tax (2014) (Pounds)	Net loss after tax (2013) (South African Rand)	Net loss after tax (2013) (Pounds)
Kareevlei Mining Proprietary Limited	Northern Cape Province in South Africa	(14,337,609)	(795,968)	(3,599,508)	(206,109)

Details of minority

The most significant element of the Mining Charter is the ownership requirement which stipulates that mines must commit to obtaining 26 per cent effective ownership by Historically Disadvantaged South Africans (“HDSAs”) (being the meaningful participation of HDSAs in the ownership, voting rights, economic interest and management control of mining entities) by 2014.

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

Summary of Group’s interest in subsidiary

	2014 Rand	Pounds	2013 Rand	Pounds
Total assets	12,472,379	692,418	7,206,149	417,264
Total liabilities	(26,809,888)	(1,488,380)	(10,765,557)	(623,368)
Capital	(100)	(6)	(100)	(5)
Loss	14,337,609	795,968	3,599,508	206,109
	-	**-**	**-**	**-**

8. Inventories

	2014 Group	2013 Group	2014 Company	2013 Company
Diamonds on hand	23,629	-	-	-
	23,629	**-**	**-**	**-**

9. Loan to group company

Subsidiary

	2014 Group	2013 Group	2014 Company	2013 Company
Kareevlei Mining Proprietary Limited	-	-	1,259,377	519,633

The loan bears interest at the Nedbank Limited prime variable overdraft rate or unsecured loans to corporate customers and is repayable on demand.

The net carrying value of the loan to group company is considered a reasonable approximation of the fair value.

10. Trade and other receivables

	2014 Group	2013 Group	2014 Company	2013 Company
Accrued income	-	-	133,462	49,462
Prepayments	1,852	75,585	1,822	1,151
VAT	25,550	53,751	3,764	1,118
Other receivables	8,327	-	-	-
	35,729	**129,336**	**139,048**	**51,731**

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

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2014 Group	2013 Group	2014 Company	2013 Company
Cash on hand	172	23	-	-
Bank balances	247,814	674,551	229,305	650,296
	247,986	**674,574**	**229,305**	**650,296**

12. Share based payments

As disclosed in the Directors' Report, the Directors were granted share options under share option agreements dated 19 August 2013.On 30 September 2014, the Company amended the conversion terms of the options granted to Riaan Visser and John Kilham such that the option exercise prices were reduced to 14 pence (Tranche 1), 22 pence (Tranche 2) and 40 pence (Tranche 3). No other changes were made to the terms of the share options.

The share options held by each Director and the exercise prices are as follows:

		Tranche 1		Tranche 2		Tranche 3	
Director	**Number of ordinary shares subject to share options**	**Number**	**Exercise price (pence)**	**Number**	**Exercise price (pence)**	**Number**	**Exercise price (pence)**
P. Beck	472,876	157,625	18	157,625	40	157,626	55
J. Kilham	472,876	157,625	14	157,625	22	157,626	40
T. Leslie	472,876	157,625	18	157,625	40	157,626	55
A. Markgraaff	472,876	157,625	18	157,625	40	157,626	55
J. Quirk	945,750	315,250	18	315,250	40	315,250	55
C. Visser	1,891,502	630,500	14	630,501	22	630,501	40
Total	**4,728,756**	**1,576,250**	**-**	**1,576,251**	**-**	**1,576,255**	**-**

Options are valued at date of grant using the Black-Scholes option pricing model. The fair value per option of options granted during the period and the assumptions used in the calculation are shown below:

Date of Grant	19/08/2013 18p	19/08/2013 40p	19/08/2013 55p
Share price at Grant (upon admission)	0.07	0.07	0.07
Share under option	1,576,251	1,576,251	1,576,254
Expected volatility	50%	50%	50%
Option life (years)	5	5	5
Interest rate (%)	1.5	1.5	1.5
Dividend yield (%)	-	-	-
Fair Value per option (£)	0.0138	0.0048	0.0028

On 30 September 2014 there was a modification to the share options such that the new terms are as follows:

Date of Modification	30/09/2014 14p	30/09/2014 18p	30/09/2014 22p	30/09/2014 40p	30/09/2014 55p
Share price on date of modification	0.115	0.115	0.115	0.115	0.115
Share under option	788,125	788,125	788,126	1,576,252	788,128
Expected volatility	50%	50%	50%	50%	50%
Option life (years)	3.9	3.9	3.9	3.9	3.9
Interest rate (%)	1.5	1.5	1.5	1.5	1.5
Dividend yield (%)	-	-	-	-	-
Fair Value per option (£)	0.0386	0.0302	0.0241	0.0105	0.0060

Share options in issue at the year end under the various schemes are personal to the option holder and are not transferable, or assignable. They shall not be exercisable on or after the fifth anniversary of the grant date.

No share options were exercised during the year.

There was no charge recorded for the period relating to share based payments including the modification on 30 September 2014 on the grounds of materiality**.**

13. Share capital and share premium

Issued

	2014 Group	2013 Group	2014 Company	2013 Company
31,525,041 Ordinary issued share capital of 1p each	315,250	315,250	315,250	315,250
Share premium	1,245,934	1,245,934	1,245,934	1,245,934
	1,561,184	**1,561,184**	**1,561,184**	**1,561,184**

On incorporation one ordinary share of 0.01p was issued fully paid to each of Jonathan Quirk, Paul Beck and Paul Munday at nominal value.

On 8 November 2012 the Company issued fully paid for cash consideration 8,339,997 ordinary shares of 0.01p each at nominal value.

On 18 December 2012 the Company issued for cash consideration 1,500,000 ordinary shares of 0.01p each at an issue price of 10p per share.

On 8 January 2013 the Company issued for cash consideration 800,000 ordinary shares of 0.01p each at an issue price of 10p per share.

On 7 March 2013 the Company issued for cash consideration 2,149,338 ordinary shares of 0.01p each at 13p per share.

At a general meeting of the Company on 3 September 2013 shareholders approved a capitalisation and consolidation, pursuant to which 1,266,144,462 ordinary shares of 0.01p were issued to shareholders pro-rata to their shareholding, following which the 1,278,933,800 ordinary shares of 0.01p in issue were consolidated into 12,789,338 ordinary shares of 1p each.

Further to the capitalisation and restructuring on 3 September 2013, the Company issued for cash consideration 18,735,703 ordinary shares of 1p each at 7p per share.

Movements in the number of ordinary shares of the Company in issue during the period are summarised in the table below.

	Ordinary shares of 0.01p issued	Total number of ordinary shares of 0.01p in issue	Ordinary shares of 1p issued	Total number of ordinary shares of 1p in issue
11 October 2012	3	3	-	-
8 November 2012	8,339,997	8,339,997	-	-
18 December 2012	1,500,000	9,840,000	-	-
8 January 2013	800,000	10,640,000	-	-
7 March 2013	2,149,338	12,789,338	-	-
3 September 2013	1,266,144,462	1,278,933,800	-	-
3 September 2013	(1,278,933,800)	-	12,789,338	12,789,338
3 September 2013	-	-	18,735,703	31,525,041
31 December 2013	-	-	-	31,525,041
31 December 2014	**-**	**-**	**31,525,041**	**31,525,041**

14. Provisions

Reconciliation of provisions – Group – 2014

	Opening balance	Movement	Total
Provision – Rehabilitation costs	20,845	52,148	72,993

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) and is dated 14 March 2014.

15. Trade and other payables

	2014 Group	2013 Group	2014 Company	2013 Company
Trade payables	28,820	41,555	15,155	11,643
Corporation tax payables	2,943	-	2,943	-
Accrued expenses	29,696	36,344	20,814	32,870
	61,459	**77,899**	**38,912**	**44,513**

The carrying value of trade and other payables are considered to be a reasonable approximation of fair value.

16. Borrowings

On 16 October 2014, the Company resolved to create up to £450,000 of convertible loan stock. £400,000 of this was drawn down immediately.

The loan term is for 5 years maturing on 16 October 2019 and carries a zero coupon (nil interest).

The loan note will be convertible:

- at the note holder's option at any time up to the end of the term at a conversion price of 11 pence per ordinary share; and
- at the Company's option after the second anniversary of initial subscription provided that the one month volume weighted average price of the Company's ordinary shares is in excess of 120% of the conversion price and the closing mid-market price on the date prior to the Company opting to convert exceeds 120% of the conversion price.

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 three components:

- a loan instrument; held at amortised cost
- an equity component
- an embedded redemption feature (payable on a sale of the Company'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). Management have reviewed the terms of the embedded derivative and have determined that the derivative has an insignificant value.

A fair value exercise to determine the value of the three 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) been valued as the residual of:

a) The fair value of the instrument as a whole discounted at a commercially applicable rate of 9.25%;
b) The residual amount between the transaction price of the loan and the fair value of the liability has been allocated to an equity reserve.

	2014 Group	**2013 Group**	**2014 Company**	**2013 Company**
Fair value of consideration	400,000	-	400,000	-
Liability component at date of issue	250,400	-	250,400	-
Finance cost	4,855		4,855	
Liability component at year end	**255,255**	**-**	**255,255**	**-**
Equity component	149,600	-	149,600	-

17. Operating expenses

Result from operating activities is stated after charging:	**Group 2014**	**Group 2013**
Depreciation	60,603	537
Loss on foreign exchange transactions	45,779	41,138
Rehabilitation costs	703	20,845
Legal and professional fees	65,980	247,286
Finance costs	6,490	-
Operational and direct costs	347,297	135,283
Staff costs	8,326	10,000
Directors fee	29,500	-
Travel costs	17,846	50,183
Sundry	8,714	-
Operating Lease Rentals – Land and Buildings	39,238	5,091
Fees receivable by the Group auditors:		
Fees – audit of financial statements	17,500	23,450
Fees – audit of accounts of subsidiary of the company	5,623	7,000
Fees – other services	6,127	41,873
	659,726	**605,085**

18. Cash used in operations

	2014 Group	**2013 Group**	**2014 Company**	**2013 Company**
(Loss)/profit before taxation	(594,642)	(590,100)	9,758	(384,032)
Tax adjustments for:				

Depreciation and amortisation	60,603	537	-	(11,372)
Foreign exchange revaluation of fixed assets	10,191	-	-	-
Movements in provisions	52,148	20,845	-	-
Changes in working capital:				
Trade and other receivables	93,607	(129,336)	(87,317)	(51,731)
Trade and other payables	(26)	77,899	(3,688)	44,513
Inventories	(23,629)	-	-	-
	(401,748)	**(620,155)**	**(81,247)**	**(402,622)**

19. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due	**2014 Group**	**2013 Group**	**2014 Company**	**2013 Company**
- within one year	19,093	18,664	-	-
- in second to fifth year inclusive	85,120	84,467	-	-
- later than five years	-	15,684	-	-
	104,213	**118,815**	**-**	**-**

Operating lease payments represent rentals payable by the Group for certain of its mining properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

20. Contingent Liabilities

There were no contingent liabilities as at 31 December 2014

21. Staff numbers and costs

	2014 Group	**2014 Company**
Directors' fees (see note 24)	29,500	29,500
Staff salaries	8,326	-
	37,826	**29,500**

During the year the Group comprised of two staff members, consisting of the Chief Executive Officer and Director (2013: two staff members).

22. EPS (Earnings per share)

	Group 2014	**Group 2013**
	£	£
Profit attributable to ordinary shareholders	(429,675)	(536,512)
Weighted average number of shares	31,525,041	16,167,984
Basic earnings per share	(0.01)	(0.03)
Weighted average number of shares after dilution	36,253,797	17,149,090
Fully diluted earnings per share	(0.01)	(0.03)

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.

23. Related parties

Relationships

Director and Indirect shareholder - John Kilham (John's Kilham's wife is a shareholder)	Kgalagadi Engineering & Mining Supplies (Pty) Ltd
Shareholder and Director – John Kilham	Kgalagadi Geoservices (Pty) Ltd
Shareholder and director – John Kilham	Kgalagaadi Asset Management (Pty) ltd

Minority Interest - William van Wyk	Kgalagadi Engineering & Mining Supplies (Pty) Ltd Ghaap Mining (Pty) Ltd
Members of key management other than directors	William van Wyk

Related party balances

Loan account - Owing by related party	**2014 Group**	**2013 Group**	**2014 Company**	**2013 Company**
Kareevlei Mining Proprietary Limited	-	-	1,259,377	519,633
Accrued income	-	-	133,462	49,462

As disclosed in Note 21, details of the remuneration of the Directors for the financial year are set out below:

CB Visser – Received fees of £24,000
Jonathan Quirk – Received fees of £6,000

In addition, during the year Kareevlei Mining engaged Kgalagadi Engineering & Mining Supplies (Pty) Limited ("Kgalagadi") to refurbish and upgrade the plant and equipment located at the Kareevlei Tenements for £72,634. John Kilham, Chief Technical Officer of BlueRock, is a director and shareholder of Kgalagadi. William van Wyk, the beneficial owner of BlueRock's Black Economic Empowerment ("BEE") partner Ghaap Mining, is also a Director and shareholder of Kgalagadi.

In addition, during the year Kareevlei Mining made consultancy payments of £19,792 to Kgalagadi Geoservices (Pty) Limited ("Kgalagadi Geoservices"). John Kilham, Chief Technical Officer of BlueRock, is sole director and shareholder of Kgalagadi Geoservices.

In addition, during the year Kareevlei Mining made payments on a monthly basis totalling of £3,785 to Kgalagadi Asset Management (Pty) Limited ("Kgalagadi Asset Management") for office and sorting plant rental. John Kilham, Chief Technical Officer of BlueRock, is sole director and shareholder of Kgalagadi Asset Management.

A convertible loan note for £400,000 was issued in October 2014 to one of the Company's substantial shareholders (see note 16).

24. Risk management

Capital risk management

The Group's capital management objectives are:

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

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

Financial risk management

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

Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. The maximum amount payable under the terms of the convertible loan note is disclosed in note 16.

Credit risk

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

The credit risk on receivables from subsidiaries is significant and their recoverability is dependent on the discovery and successful development of economic reserves by these subsidiaries undertakings. Given the nature of the Company's business significant amounts are required to be invested in exploration activities. The Directors manage this risk by reviewing expenditure plans and budgets in relation to projects. This review ensures that any expenditure is value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves. The maximum credit exposure of the Company as at 31 December 2014 is £1,329,839.

Foreign exchange risk

At 31 December 2014, if the pound sterling had weakened/strengthened by 12% against the South African Rand with all other variables held constant, post-tax loss for the year would have been £64k lower or £81k higher, mainly as a result of foreign exchange gains or losses on translation of South African Rand denominated trade receivables and intragroup borrowings.

The exchange rates used for conversion of foreign monetary items were – 2014: 18.01, 2013: 17.27

Summary of assets and liabilities by category

The carrying amounts of the financial assets and liabilities as recognised at the statement of financial position date of the years under review may also be categorised as follows:

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Loans and receivables				
Cash and cash equivalents	247,986	674,574	229,305	650,296
Trade and other receivables	8,327	-	133,462	49,462
	256,313	**674,574**	**362,767**	**699,758**
Financial liabilities held at amortised cost				
Trade and other payables	55,516	77,899	35,969	44,513
Borrowings	255,255	-	-	-
	310,771	**77,899**	**35,969**	**44,513**

25. Events after the reporting period

Further to the issue in October 2014 of £450,000 convertible loan notes of which £400,000 was drawn down immediately, the Company exercised its option to draw down the remaining £50,000 for general working capital purposes. This was completed on 27 April 2015.

The new plant was fully operational and the vertical shaft impact ("VSI") crusher was commissioned in May 2015.

26. Ultimate controlling party

The company considers that there is no ultimate controlling party.

27. Fair value measurement of financial instruments

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

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

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

	2014	2013	2014	2013

	Group	Group	Company	Company
Financial liabilities held at amortised cost				
Convertible loan notes – Level 3	255,255	-	255,255	-
	255,255	**-**	**255,255**	**-**

Measurement of fair value of financial instruments

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

Convertible loan notes (Level 3)

The estimated fair value of the convertible loan note is categorised within Level 3 of the fair value hierarchy. The fair value estimate has been determined using a present value technique. The present value of the loan at inception of £250,400 is estimated by discounting the contractual cash flows at 9.25%. The discount rate has been determined using the interest rate that the entity would pay to unrelated party, at the reporting date, adjusted to reflect the redemption feature.

The most significant input is the discount rate of 9.25%.

28. Profit for the year

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The profit after taxation for the financial year for the parent company was £6,816 (2013: loss after taxation of £384,032).