

16 May 2019

BlueRock Diamonds PLC ('BlueRock' or the 'Company')

Placing and Subscription raises £982,000

Expansion plans fully funded

Strategic partnership with the Teichmann Group

Mike Houston appointed as Executive Chairman of BlueRock

Gus Simbanegavi appointed as CEO of Kareevlei

BlueRock Diamonds plc, the AIM listed diamond mining company, which owns and operates the Kareevlei Diamond Mine in the Kimberley region of South Africa ("Kareevlei"), is pleased to announce the implementation of a new mining plan in order to increase production with a target of becoming cash flow positive at a corporate level. In order to facilitate the revised plan the board has restructured the management of the Company and has raised additional funding from strategic and other investors.

The Company has raised an aggregate of £937,000 (before expenses) via the issue of 937,000,000 ordinary shares of 0.01 pence each in the capital of the Company (the "Placing Shares") through a placing and subscription at a price of 0.1 pence per Share (the "Placing Price") (the "Fundraising"). The Company is also issuing one warrant for every one Placing Share issued at an exercise price of 0.2 pence with a life of two years from the date of issue (the "Warrants"). The Warrants will not be listed.

In addition, certain Directors and a former Director of the Company have indicated their intention to subscribe for a further aggregate £45,000 via the issue of a further 45,000,000 shares at the Placing Price ("Director Subscription Shares") subject to approval by the Board (the "Director Subscription"). Details of their participation and their consequent interests in the Company's issued share capital will be described in a further announcement. Accordingly, subject to such further Director Subscription, the total gross amount raised is expected to be £982,000. It is likely that the Director Subscription will constitute a related party transaction under the AIM Rules for Companies.

The Board expects that the funds raised in the Fundraising will be sufficient to reach its medium term goal of processing in excess of 400,000 tonnes per annum (2018: 190,000 tonnes). The target for 2019 is between 280,000 tonnes and 330,000 tonnes. The Board expects that the Company will be profitable in the second half of 2019 and expects the Company to be self-funding going forward.

Use of Proceeds

The Board is conscious of continued shareholder dilution but, following further review of the Company's operational plan, considered that the Fundraising was necessary in order for the Company to invest in Kareevlei to enable it to implement the required operational changes to sufficiently build production and meet its strategic goals.

The Board has investigated various funding options but considers that the Fundraising, in conjunction with the introduction of a new strategic investor, and in the absence of compelling debt based or other alternatives, represented the best available solution for funding the revised operational plan and is in the best interests of the Company and all of its stakeholders.

The funds raised will be used to implement the Company's revised mine plan (further below) and for investment in production improvements including:

- Opening up and developing other pipes in order to provide flexible mining
- Final modifications to the crushing circuit
- Improvements in material flow to ensure consistent supply of ore to the processing plant
- Investment in essential stock of spares to minimise the disruption of breakdowns
- Investment in further infrastructure, including dry inventory, to minimise the disruption of wet weather

The Fundraising will also provide working capital to fund operations until target throughputs are reached.

The Board expects that the funds raised in the Fundraising will be sufficient to reach its medium term goal of processing in excess of 400,000 tonnes per annum.

Progress to date

Since the appointment of Mike Houston as Chairman, the Company has been reviewing its overall operation including its medium term mine plan, and the following action has been taken:

- Technical Skills Upgrade/ Mining disciplines: Appointment of Mining Engineer as CEO of Kareevlei and experienced Processing and Engineering personnel. These individuals are focusing on and successfully introducing operating disciplines appropriate with good mining practice.

- Economies of scale: Improved utilisation of assets with introduction of 7 day working week (c30% more operating hours). Improved plant availability which now requires the support of funding for correct levels of spares and in plant inventory.
- Revised mid-term mining plan: The Company's new mine strategy is to target a low strip multiple pit/variable depth mine plan in order to de-risk the impact of excessively moist ore. This strategy will initially allow the Company to mine to a level of approximately 50m and will enable the Company to be profitable during the second half of 2019. Provided that the pit grades are in line with the resource estimate the Company will retain the flexibility to mine deeper levels. One of Gus' key objectives will be to complete a Resource Optimisation Review to establish the economic mining depth of each pipe.
- Plant Modifications: Management have completed a Plant Upgrade Plan and work commenced on this in Q2 2019. The key is to enable the front end of the plant to handle the variable ore and ensure adequate inventories are in place so that the operation maximises capacity.

Strategic Partnership

The Company expects to shortly enter into a contracting agreement with a member of the Teichmann Group, a pan African civil engineering and mining group, to provide the quantity of ore necessary to meet BlueRock's production plans. Teichmann's extensive experience in mining operations is expected to significantly de-risk the Company's mining activities and allow BlueRock to meet its production targets in a cost effective manner.

In addition, Teichmann Company Limited ("TCL"), an investment company controlled by trusts connected with the owners of the Teichmann Group, has demonstrated its confidence in BlueRock's plans by subscribing for 310,000,000 shares in the Fundraising for a total of £310,000 payable in three instalments, £155,000 now, £77,500 on the 31 August 2019 and £77,500 on 30 November 2019.

TCL will hold approximately 19% of the Company's shares following the Fundraising and will retain a right to appoint a non-executive director to the board while it maintains a holding over 10%. It is expected that this position will be filled by one of the senior executives of the group with further announcements being made as appropriate.

Board and key management changes

The Board is delighted to announce the appointment of Gus Simbanegavi as CEO of the Company’s principal operating company Kareevlei Mining Limited (“KML”). Gus is a mining engineer and has extensive experience of working in mining operations in South Africa and Zimbabwe and has previously worked closely with the Company’s Chairman Mike Houston. Importantly, Gus’s experience encompasses both small and large scale mining operations including extensive open cast mining. Gus’s initial focus will be on increasing production levels and his short term and long term remuneration has been structured to reflect this.

Mike Houston will become Executive Chairman to oversee the transformation of the Company to profitability with the expectation that Gus Simbanegavi will be appointed as CEO of BlueRock once the initial task of reaching and stabilising production at agreed targets has been completed.

Adam Waugh is standing down today as CEO of BlueRock and KML. The Board would like to thank Adam for his contribution to the Company and his input on and support of the necessary changes. Adam will stay on as a Non-Executive Director of BlueRock Diamonds in order to provide a smooth handover to Gus.

Mining Right and changes to the South African Mining Charter

The mining right for Kareevlei is due for renewal in August 2019 and the application for renewal is in an advanced state. The Company does not expect any issues in the renewal process.

The new Mining Charter came into force in December 2018, although it is under judicial review. Under the new Mining Charter there is a requirement to increase the Broadly Based Economic Empowerment partner’s stake from 26% to 30% within 5 years from the date of renewal of the licence, although this is one of the elements of the Mining Charter which is under judicial review. Given the structure of the shareholders’ agreement from the Company to Kareevlei Mining Limited (“KVM”), which requires the loan to BlueRock, which currently stands at over £6 million, to be repaid before any dividends are declared in KVM, this is expected to have little or no economic impact to the Group.

Guidance for 2019 and 2020

The Company gives the following guidance for FY2019 and FY2020:

	2019	2020
Volume (‘000 tonnes)	280 – 330	380 – 430
Grade (cpht)	4.25 – 5.0	4.25-5.0

Carats ('000)	11.9 – 16.5	16.2 – 21.5
Value per carat (USD)	340	340

As has been noted in earlier announcements, the Company is recovering a higher number of larger stones. On a statistical basis, as production increases and the mining of pure kimberlite increases, the incidence of these larger stones should increase.

Headline unaudited financials for the year ended 31 December 2018

The unaudited turnover and operating loss for the year ended 31 December 2018 were £1,417,000 and £1,319,000 respectively. The Company expects to publish audited annual results for the year to 31 December 2018 during June 2019.

Options

The Board intends to grant the following share options to members of the board and senior management:

	Number	Price
Mike Houston	48,870,057	0.1p
Gus Simbanegavi	32,580,038	0.1p
David Facey	32,580,038	0.1p
Total	114,030,134	

The Options have a five-year life and will vest in 2 equal tranches, 50% on grant and 50% on the first anniversary of the grant of the options.

In addition, the Board intends to grant 32,580,038 options in January 2020 each to Michael Houston and Gus Simbanegavi at an exercise price based on the market price at the time of grant subject to a production target of achieving in excess of 12,000 carats for the year ended 31 December 2019.

It is likely that the grant of share options to Directors will constitute a related party transaction under the AIM Rules for Companies. A further announcement in respect of the grant of share options is expected to be issued shortly.

Extension of repayment terms of the loan from Adam Waugh

The loan from Adam Waugh (“Waugh Loan”) to BlueRock currently stands at £225,000 comprising principal of £181,000, interest due of £16,000 and £27,000 of accrued repayment premium. It has been agreed that:

- 1) Interest due of £9,000 payable in cash will be rolled forward;
- 2) Interest payable in shares of £7,000 is intended to be satisfied by the issue of 6,811,000 ordinary shares at a price of 0.1p (“Interest Shares”), subject to approval by the Board;
- 3) A payment of £50,000 will be made by 31 May 2019; and
- 4) A payment of £30,000 per quarter will be payable in arrears (except for the first quarterly payment which will fall due on 31 August 2019) accruing from 1 July 2019 until the loan, all outstanding interest and repayment premium are repaid in accordance with the original terms.

It is the Company’s intention to pay off the loan as soon as is practicable however early repayments will only be made if it does not impact upon the Company’s ability to achieve its production targets.

The Company confirms that the loan to Paul Beck which was £50,000 has been repaid in full.

Related Party Transaction

Adam Waugh, as a director of the Company, is considered to be a “related party” as defined under the AIM Rules and accordingly, the extension of the loan repayment constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules.

The Directors independent of the Loan, being David Facey, Mike Houston and Tim Leslie, consider, having consulted with the Company's nominated adviser, SP Angel, that the terms of the Loan repayment extension are fair and reasonable insofar as the Company's shareholders are concerned.

Issue of shares for payment of services

A further 5,000,000 Shares will be issued at the Placing Price in payment for services received (“Services Shares”).

Further Details relating to the Fundraising

Application will be made for the Placing Shares, the intended Director Subscription Shares, the Services Shares and the Interest Shares (together the “New Shares”), which will rank pari

passu with the existing Ordinary Shares, to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective and dealings will commence on or around 22 May 2019.

Total Voting Rights

Following the issue of the New Shares, the issued share capital of the Company will consist of 1,629,001,910 Ordinary Shares. No shares were held in treasury at the date of this announcement. The total current voting rights in the Company are therefore 1,629,001,910.

The above total current voting rights number is the figure which may be used by shareholders as the denominator for the calculation by which they will determine if they are required to notify their interest in, or a change to their interest in the Company.

Mike Houston, Chairman commented: "The key challenge for management will be achieving the economies of scale and this is largely centred around material handling of what can at times be a difficult product in both the mining and plant operations. This requires a disciplined, innovative and technically competent management team and I believe we have been able to put this team in place now. Improvements have already been implemented which will have a material impact on throughput and cashflow. The capital raised will allow management to make further improvements and importantly de-risk the business. The optimisation of the mine plan and right sizing the cost structure will be key objectives for management in the short term.

Accordingly, following this necessary investment, the Board now expects the Company to be self-funding going forward.

I look forward to keeping shareholders regularly informed of the progress."

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.