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

1 July 2022

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

Final Results

BlueRock Diamonds PLC, the AIM listed diamond producer, which owns and operates the Kareevlei Diamond Mine ('Kareevlei') in the Kimberley region of South Africa, is pleased to announce its audited results for the year ended 31 December 2021.

The Company's annual report and accounts have been dispatched to shareholders and are available on the Company's website at www.bluerockdiamonds.co.uk.

OVERVIEW

Fundamentals for Kareevlei remain solid

- Commissioned new plant designed to increase production to 1Mtpa from c 400,000tpa
- Upgraded Diamond Resource with 49% increase in net tonnes to 10,368,300 – confident this will increase further once more work is completed on KV3, the largest pipe
- Commenced opening up the main pit to reflect the upgraded Diamond Resource at depth and area

Achieved significantly better results than in 2020 despite major challenges including shutdowns due to DMR, Covid-19 and extreme weather

- 53% increase in the number of carats produced
- More than doubled revenue to £7.85m
- Recovered an increasing number of larger stones with a value in excess of USD50,000

The diamond market recovered well in 2021 and has come back stronger after the pandemic

- 2021 average price of USD470 is 13% higher than the average for 2019 of USD415
- Spike in prices post period end in February 2022 largely linked to the Ukraine situation
- Market now stabilised, but so far in 2022 sales prices have averaged over USD600, an increase of 29% on 2021 prices

Managing corporate challenges

- Cash resources depleted during what continues to be a period of heavy investment in mining development
- Entered into discussions to obtain financing to support the Company through this period. Discussions are ongoing for BlueRock to issue a new Loan Note for £1.6m as well as the provision of debt funding facility to Kareevlei for up to ZAR30m to be drawn as and when required.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK

domestic law by virtue of the European Union (Withdrawal) Act 2018 ('MAR'). Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

****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 with a combined Inferred Resource of 10.4 million tonnes / 516,200 carats (February 2021); based on its planned production of 1 million tonnes per annum, this provides a minimum 10-year life of mine.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our audited results for the year ended 31 December 2021.

Overview

Our main goal in 2021 was to complete the transformational new plant which is designed to increase production to 1 million tonnes per annum from c 400,000 tonnes per annum. By the end of the year the plant was being commissioned and beginning to demonstrate that it would be able to achieve our future production

targets. Despite the ongoing expansion works the Company achieved significantly better results than in 2020; most notably a 53% increase in the number of carats produced and revenue more than doubling. Prices achieved in the year increased by 59%, reflecting the recovery in the market after Covid-19, and the recovery of some significantly larger diamonds.

Operations

The major objectives for the year were: 1) to open up the KV1/KV2 main pit to reflect the upgraded Diamond Resource at depth and area and this involved a material increase in development (waste) mining; 2) to complete the expanded new processing plant so that it was fully commissioned before the year end; 3) to manage the ongoing challenge of Covid-19 which was successfully done until Q4, when the Omicron version disrupted operations.

Mining

During Q1 management began to redesign its mine plan centered around the main pit. It was agreed a material pushback was required for the mine to access the new economic depth of 120/130m versus the previous estimate of 80/100m. This entailed a step up in the strip ratio in the short term, in order to ensure predictable and secure supplies of good quality ore as the new plant ramps up to full production. This new plan was also designed to ensure that there was sufficient stockpile to enable the plant to operate more easily in the rainy season. The new mining plan was delayed in its implementation due to mining equipment failure in Q3, the shut down imposed by the DMR in November/December 2021, which led to a loss of 20 days mining as announced on 19 November 2021, and the shutdown due to Covid-19 (Omicron) in December 2021 and January 2022, leading to a further loss of 14 days of mining as announced on 22 December 2021, at which point the rainy season had started inhibiting the development of the mine further. As we have reported the rainy season has extended into May 2022, hence we are some three or four months behind schedule in the mine development. The application for the renewal of the current Mining Licence, which expired in August 2019, has been progressing well. In accordance with South African legislation, the Group has the right to continue mining until such time as the application has been processed

Processing and Expansion project

The challenge for the year was to complete the expansion project, whilst maximising production using the old plant and later in the year utilising a mixture of the old plant, with the crushing circuit of the new plant. This proved successful although operating the two plants had an impact on costs, largely because of the requirement for a significant amount of rehandling of material.

I am pleased to say that our expansion project was completed at the end of December 2021, after delays caused by the Section 54 stoppage imposed by the DMR in November/December 2021, followed by the closure due to Covid-19 (Omicron) in December 2021 and early January 2022. Since the end of the year the ramp up in production has been hindered by the excessive rain fall in Q1 and Q2 2022.

The Diamond Market

The diamond market recovered well in 2021. Average price per carat in 2021 was USD470 compared with USD295 in 2020, although prices in 2020 were significantly impacted by Covid-19 and the consequent cancellations of the diamond auctions. Interestingly, the 2021 average price of USD470 is 13% higher than the average for 2019 of USD415, indicating that the market has come back stronger after the pandemic. Since the end of the year the market was initially volatile with a big spike in prices in February largely linked to the Ukraine situation. It has since stabilised, but at prices significantly higher than our average for 2021. We expect the supply side of quality diamonds, as those recovered by Kareevlei, to remain tight for the foreseeable future, with the ongoing conflict in Ukraine affecting the supply of rough diamonds.

Diamond Recoveries

The Company continued to recover an increasing number of larger stones with a value in excess of USD50,000. During 2021 twelve larger stones were recovered for an aggregate sales value of $1,764,000. The Company recovered a record 58 carat (previous largest mid 20 carat) reflecting the potential of the Kareevlei Diamond Resource.

Diamond Resource ("Resource")

Kareevlei hosts five known diamondiferous kimberlite pipes with a combined Inferred and Indicated Resource of 10.4 million tonnes/516,200 carats (February 2021) and produces excellent quality diamonds with 90% of output gem quality.

In February 2021, we announced a Resource update demonstrating a 49% increase in net tonnes to 10,368,300, a 53% increase in net carats to 516,200 and notably 19% of the Resource was upgraded from the Inferred to Indicated category. Based on our planned production of 1mtpa, this provides a minimum 10-year life-of-mine, however, we remain confident that the Resource will increase further once more work is completed on KV3, our largest pipe, where at present only 40% of this pipe's volume is included.

Financing

In March 2021 the Company raised £1.5m of equity to continue to fund the expansion project which had increased in scope from a capacity of 750,000 tonnes to 1 million tonnes per annum. A further £1.6m was raised (£0.94m received during 2021 and £0.66m in 2022) for working capital purposes through a convertible loan note issued to Teichmann, following the approval of a waiver from the requirements of Rule 9 of the City Code on Takeovers and Mergers, and shareholder approval in June 2021.

As announced on 1 June 2022, the impact of the unusually high rainfall in the first five months of 2022 has severely impacted the Group's cash resources, leaving the Group requiring additional funding, whilst it completes its mining development.

Discussions continue with potential funders to BlueRock and to Kareevlei which is expected to be sufficient to fund the company through this development period. Further details will be announced as discussions progress.

Events following the end of the year

Due to the delays in implementing the new mining plan, exacerbated by the excessive rainfall, the Group sought further funding to fund the mine development costs and raised £2m through an issue of new equity in March 2022. Unfortunately, heavy rain continued into April and May 2022. As a result Mining development fell 36% (400,000 tonnes) compared to the budget for April and May, which has limited the mine's access to quality kimberlite and necessitated the use of lower grade and more difficult to handle material (high clay content) in Kareevlei's processing operations. Additionally, where BlueRock had hoped to ramp up production at its new 1Mtpa processing plant, the unforeseen days lost to rain and the lower-grade feed resulted in operations being down against budget over the period March to May by 48% on tonnes processed, 51% on grade and 74% on carats produced.

As a result of fewer diamonds being produced and sold, as well as increasing costs, BlueRock's cash resources have been depleted during what continues to be a period of heavy investment in mining development. The Company has therefore entered into discussions to obtain financing to support it through this period.

The Company continues to attract high prices for its high quality diamonds. So far in 2022 sales prices have averaged over USD600, an increase of 29% on 2021 prices.

Despite the advances made in 2021, there is still work to be done for Kareevlei to benefit fully from the potential of the new plant. The fundamentals for Kareevlei remain solid and I look forward to reporting more positive news as we move forward through the rest of the year.

I would like to thank everyone at BlueRock and Kareevlei, as well as our shareholders and key stakeholders for their continued efforts and support.

Michael Houston
Executive Chairman

Consolidated and Company Statements of Financial Position

Figures in £	Group 2021	Group 2020	Company 2021	Company 2020
Assets				
Non-current assets				
Property, plant and equipment	4,312,946	2,344,335	-	-
Right-of-use assets	517,789	520,795	-	-
Mining assets	1,839,809	560,332	-	-
Investments in subsidiaries	-	-	517,867	5
Other receivables	492,596	425,319	12,147,002	10,360,032
Total non-current assets	**7,163,140**	**3,850,781**	**12,664,869**	**10,360,037**
Current assets				
Inventories	802,835	458,308	-	-
Trade and other receivables	93,646	162,163	27,460	136,190
Cash and cash equivalents (including restricted cash of £214,499 (2019: £223,914)	521,771	569,962	348,993	537,525
Total current assets	**1,418,252**	**1,190,433**	**376,453**	**673,715**
Total assets	**8,581,392**	**5,041,214**	**13,041,322**	**11,033,752**
Equity and liabilities				
Equity				
Share capital	706,050	454,333	706,050	454,333
Share premium	8,656,201	6,885,796	8,656,201	6,885,796
Other equity	94,680	-	94,680	-
Accumulated loss	(7,781,745)	(7,223,054)	(673,019)	(473,817)
Other reserves	3,286,179	3,393,154	2,506,862	3,081,203
Total equity attributable to owners of parent	**4,961,365**	**3,510,229**	**11,290,774**	**9,947,515**
Non-controlling interests	(2,223,906)	(2,261,809)	-	-
Total equity	**2,737,459**	**1,248,420**	**11,290,774**	**9,947,515**
Liabilities				
Non-current liabilities				
Provisions	544,692	454,197	-	-
Borrowings	1,333,345	828,300	987,658	465,601

Lease liabilities	564,063	551,743	-	-
Total non-current liabilities	**2,442,100**	**1,834,240**	**987,658**	**465,601**
Current liabilities				
Trade and other payables	2,739,672	1,237,563	293,435	111,826
Borrowings	617,602	696,206	469,455	508,810
Lease liabilities	44,559	24,785	-	-
Total current liabilities	**3,401,833**	**1,958,554**	**762,890**	**620,636**
Total liabilities	**5,843,933**	**3,792,794**	**1,750,548**	**1,086,237**
Total equity and liabilities	**8,581,392**	**5,041,214**	**13,041,322**	**11,033,752**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Figures in £	**2021** **£**	**2020** **£**
Revenue from contracts with customers	7,846,588	3,601,819
Other income	8,672	1,062
Administrative expenses	(133,546)	(192,137)
Operating expenses	(7,823,169)	(5,683,454)
Other gains	16,488	853
Loss from operating activities	**(84,967)**	**(2,271,857)**
Finance income	31,552	24,209
Finance costs	(384,288)	(248,022)
Other losses	(911,194)	(493,138)
Loss before taxation	**(1,348,897)**	**(2,988,808)**
Income tax expense	-	-
Loss for the year	**(1,348,897)**	**(2,988,808)**
Loss for the year attributable to:		
Owners of Parent	(1,222,590)	(2,388,532)
Non-controlling interest	(126,307)	(600,276)
	(1,348,897)	**(2,988,808)**
Other comprehensive loss net of tax		
Components of other comprehensive income that may be reclassified to profit or loss		
Gains on exchange differences on translation	631,576	397,605
Total other comprehensive income	**631,576**	**397,605**
Total comprehensive loss	**(717,321)**	**(2,591,203)**

Total comprehensive loss attributable to:		
Owners of parent	(755,224)	(2,094,304)
Non-controlling interests	37,903	(496,899)
	(717,321)	**(2,591,203)**
Basic and diluted loss per share		
Basic loss per share	(0.09)	(0.35)

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in the financial statements. The loss after taxation for the financial year for the parent company was £863,101 (2020: loss of £680,058).

Consolidated Statement of Changes in Equity – Group

Figures in £	Share capital	Share premium	Value of conversion right	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated loss	Attributable to owners of the parent	Non-controlling interests	Total
Balance at 1 January 2020	162,900	4,147,980	-	2,003,010	17,723	1,097,751	(5,120,207)	2,309,157	(1,764,910)	544,247
Changes in equity										
Loss for the year	-	-	-	-	-	-	(2,388,532)	(2,388,532)	(600,276)	(2,988,808)
Other comprehensive income	-	-	-	-	294,228	-	-	294,228	103,377	397,605
Total comprehensive income for the year	-	-	-	-	294,228	-	(2,388,532)	(2,094,304)	(496,899)	(2,591,203)
Issue of equity	291,433	2,870,501	-	-	-	-	-	3,161,934	-	3,161,934
Share issue expenses	-	(132,685)	-	-	-	-	-	(132,685)	-	(132,685)
Share-based payments	-	-	-	-	-	266,127	-	266,127	-	266,127
Transfer lapsed options to accumulated loss	-	-	-	-	-	(285,685)	285,685	-	-	-
Balance at 31 December 2020	**454,333**	**6,885,796**	**-**	**2,003,010**	**311,951**	**1,078,193**	**(7,223,054)**	**3,510,229**	**(2,261,809)**	**1,248,420**
Balance at 1 January 2021	454,333	6,885,796	-	2,003,010	311,951	1,078,193	(7,223,054)	3,510,229	(2,261,809)	1,248,420
Changes in equity										
Loss for the year	-	-	-	-	-	-	(1,222,590)	(1,222,590)	(126,307)	(1,348,897)
Other comprehensive income	-	-	-	-	467,366	-	-	467,366	164,210	631,576
Total comprehensive income for the year	-	-	-	-	467,366	-	(1,222,590)	(755,224)	37,903	(717,321)
Issue of equity	251,717	1,831,255	-	-	-	-	-	2,082,972	-	2,082,972
Share issue expenses	-	(60,850)	-	-	-	-	-	(60,850)	-	(60,850)
Share-based payments	-	-	-	-	-	89,558	-	89,558	-	89,558
Transfer lapsed options to accumulated loss	-	-	-	-	-	(663,899)	663,899	-	-	-
Value of conversion rights – convertible notes	-	-	94,680	-	-	-	-	94,680	-	94,680
Balance at 31 December 2021	**706,050**	**8,656,201**	**94,680**	**2,003,010**	**779,317**	**503,852**	**(7,781,745)**	**4,961,365**	**(2,223,906)**	**2,737,459**

Consolidated Statement of Changes in Equity – Company

Figures in £	Share capital	Share premium	Value of conversion right	Capital redemption reserve	Share-based payment reserve	Accumulated loss	Total
Balance at 1 January 2020	**162,900**	**4,147,980**	**-**	**2,003,010**	**1,097,751**	**(79,444)**	**7,332,197**
Changes in equity							
Loss for the year	-	-	-	-	-	(680,058)	(680,058)
Total comprehensive income	-	-	-	-	-	(680,058)	(680,058)
Issue of share capital	291,433	2,870,501	-	-	-	-	3,161,934
Share issue expenses	-	(132,685)	-	-	-	-	(132,685)
Share-based payments	-	-	-	-	266,127	-	266,127
Transfer lapsed options to accumulated loss	-	-	-	-	(285,685)	285,685	-
Balance at 31 December 2020	**453,333**	**6,885,796**	**-**	**2,003,010**	**1,078,193**	**(473,817)**	**9,947,515**
Balance at 1 January 2021	453,333	6,885,796	-	2,003,010	1,078,193	(473,817)	9,947,515
Changes in equity							
Loss for the year	-	-	-	-	-	(863,101)	(863,101)
Total comprehensive income	-	-	-	-	-	(863,101)	(863,101)
Issue of share capital	251,717	1,831,255	-	-	-	-	2,082,972
Share issue expenses	-	(60,850)	-	-	-	-	(60,850)
Share-based payments	-	-	-	-	89,558	-	89,558
Transfer lapsed options to accumulated loss	-	-	-	-	(663,899)	663,899	-
Value of conversion rights – convertible notes	-	-	94,680	-	-	-	94,680
Balance at 31 December 2021	**706,050**	**8,656,201**	**94,680**	**2,003,010**	**503,852**	**(673,019)**	**11,290,774**

Consolidated and Company Statements of Cash Flows

Figures in £	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows used in operations				
Cash used in operations	2,405,359	(1,025,363)	(180,462)	(530,401)
Net cash flows used in operations	**2,405,359**	**(1,025,363)**	**(180,462)**	**(530,401)**
Cash flows used in investing activities				
Proceeds from sales of property, plant and equipment	56,572	2,889	-	-
Purchase of property, plant and equipment	(2,669,974)	(1,268,083)	-	-
Purchase of mining assets	(1,395,448)	-	-	-
Increase in loan advanced to group company	-	-	(1,831,782)	(2,030,802)
Movement in rehabilitation guarantee	(99,030)	(101,888)	-	-
Cash flows used in investing activities	**(4,107,880)**	**(1,367,082)**	**(1,831,782)**	**(2,030,802)**
Cash flows from financing activities				
Proceeds from issuing shares (net of fees: £60,850 (2020: £132,685))	1,436,527	2,895,784	1,436,527	2,895,784
Loans drawn down in the year	941,146	-	941,146	-
Repayments of borrowings	(610,125)	(245,237)	(538,798)	(156,892)
Repayments of lease liabilities	(87,750)	(66,380)	-	-
Increase in restricted cash	(7,082)	(8,811)	(7,082)	(8,811)
Cash flows from financing activities	**1,672,716**	**2,575,356**	**1,831,793**	**2,730,081**
Net increase / (decrease) in cash and cash equivalents	**(29,805)**	**182,911**	**(180,451)**	**168,878**
Exchange rate changes on cash and cash equivalents	(10,305)	6,617	-	-
Net (decrease) / increase in cash and cash equivalents	**(40,110)**	**189,528**	**(180,451)**	**168,878**
Cash and cash equivalents at beginning of year	355,463	165,935	323,026	154,148
Cash and cash equivalents at end of year	**315,353**	**355,463**	**142,575**	**323,026**

Notes to the Financial Statements

1. Basis of preparation

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2021, but is derived from the Group's audited financial statements. The auditors have reported on the 2020 financial statements and their reports were unqualified and did not contain statements under s498(2) or (3) Companies Act 2006 but did contain a material uncertainty in relation to going concern. The 2021 Annual Report was approved by the Board of Directors on 30 June 2022. The financial information in this statement is audited but does not have the status of statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's consolidated financial statements, which form part of the 2021 Annual Report, have been prepared in accordance with applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention except for items held at fair value. They are presented in British Pounds Sterling (Pounds) which is also the functional currency of the Company. BlueRock Diamonds Plc is incorporated in England and Wales with company number 08248437 with registered office, 4th Floor, Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS. The preparation of financial statements in conformity with UK adopted IAS and Companies Act 2006

requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

2. Going concern

The Group and parent Company have prepared forecasts covering the period to 31 December 2023. Appropriate diligence has been applied by the Directors who believe that the forecasts are prepared on a realistic basis using the best available information.

As announced on 1 June 2022, the impact of the unusually high rainfall in the first five months of 2022 has resulted in a significant reduction in production compared to our forecasts, resulting in a severe impact on the Group's cash resources, leaving the Group and parent Company requiring additional funding in the immediate future, whilst it completes its mining development.

Discussions are ongoing with an existing shareholder for BlueRock to issue a new Loan Note ("LN") for £1.6m as well as the provision of debt funding facility to Kareevlei for up to ZAR30m to be drawn as and when required. The forecasts indicate that the combination of the LN and debt funding facility will be sufficient to meet the Group's cash requirements over the going concern period, however, until the LN has been issued and the debt funding facility finalised, there remains an uncertainty that this financing will be available.

After review of the uncertainty, the Directors have a reasonable expectation, based on discussions and correspondence with the existing shareholder, that the additional funding will be received and the Group and parent Company will then have adequate resources to continue in operational existence for the foreseeable future, based on its assessment of the forecasts, principal risks and uncertainties and mitigating actions considered available to the Group and parent Company in the event of downside scenarios. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

However, at the date of approval of these financial statements, uncertainties relating to completing the issue of the funding arrangements indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group and parent Company were unable to continue as a going concern.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1.1 Ore reserves and associated Life of Mine (LoM)

There are numerous uncertainties inherent in estimating ore reserves and the associated LoM. Therefore, the Group must make a number of assumptions in making those estimations, including assumptions as to the prices of diamonds, exchange rates, production costs and recovery rates. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of diamonds, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the ore reserves being restated. Where assumptions change the LoM estimates, the associated depreciation rates, residual values, waste stripping and amortisation ratios, lease terms and environmental provisions are reassessed to take into account the revised LoM estimate.

3.1.2 Valuation of embedded derivatives

There is an adjustable conversion feature within the convertible loan agreement with M Poole/T Leslie, which effects the conversion price and the number of new ordinary shares issued. IFRS 9 requires a fair value calculation of the embedded derivative at recognition, as it is not closely related to the host contract, and a revaluation to be performed at each year end. The embedded derivative has been fair valued using the Monte Carlo model which requires critical estimates, in particular the Group's future share price volatility. At the year end the fair value of the embedded derivative was £3,198 (2020: £21,718).

3.1.3 Valuation of "fixed-for-fixed" convertible loan notes

The Group entered into "fixed-for-fixed" convertible loan notes with the Teichmann Group, whereby the number of conversion shares were determined at the issue date. The initial fair value of the liability portion of the bond is determined using a market interest rate for an equivalent non-convertible bond at the issue date, which requires critical estimates, in particular the implicit interest rate. After considering industry and Group specific risk factors, the Group determined 16.5% to be the most appropriate implicit interest rate to value the liability portion. The remainder of the proceeds were allocated to the conversion option and recognised in shareholders' equity (net of income tax) and is not subsequently remeasured.

3.1.4 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 of the financial statements. The Board use an expert to determine the existing disturbance level and associated cost of works and estimates of inflation and risk-free discount rates are based on market data.

3.1.4 Impairment of non-current assets

Mining assets and Property, plant and equipment representing the Group's mining assets in South Africa are reviewed for impairment at each reporting date. The impairment test is performed using the approved Life of Mine plan and those future cash flow estimates are discounted using asset specific discount rates and are based on expectations about future operations. The impairment test requires estimates about future production and sales volumes, diamond prices, grades, operating costs and capital expenditures necessary to extract resources in the current medium term mine plan. Production forecasts include further growth from existing production levels, reflecting plant upgrades, steps to improve mining flexibility and investment to open new mining areas. Diamond prices are estimated with reference to recent achieved prices and the Board's assessment of the diamond market outlook.

Changes in such estimates could impact recoverable values of these assets.

The impairment test using the medium-term forecasts indicated significant headroom as at 31 December 2021 and therefore no impairment is considered to be appropriate. However, such headroom is dependent on the upgraded plant running at full capacity. However, the Directors consider the forecasted production levels to be achievable best estimates. The plant is currently nearing full capacity.

The key assumptions used in the recoverable amount calculations, determined on a value-in-use basis, are listed below:

Valuation basis

Discounted present value of future cash flows.

LoM and recoverable value of Diamond Reserves and Resources

Economically recoverable Diamond Reserves and Resources, carats recoverable and grades achievable are based on management's expectations of the availability of Diamond Reserves and Resources at Kareevlei and technical studies undertaken by third-party specialists. Diamond Reserves remaining after the current LoM plan have not been included in determining the value in use of the operations. The forecast LoM of Kareevlei, based on current estimates, is to 2030 (2020: 2030).

Cost and inflation rate

Operating costs are determined based on management's experience and the use of contractors over a period of time whose costs are fairly reasonably determinable. Mining and processing costs have been based on the agreements with the relevant contractors. Management has applied local inflation rates of 5.0% (2020: 5.0%) for operating costs.

Capital costs in the short-term has been based on management's capital programme after which a fixed percentage of revenue have been applied to determine the capital costs necessary to maintain current levels of operations.

Exchange rates

Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US dollar/South-African Rand (ZAR) exchange rate used, was determined with reference to the average rate for 2021 of ZAR 14.7 (31 December 2020: ZAR 16.5).

Diamond prices

The short-term diamond prices used in the impairment test have been set with reference to recent prices achieved, recent market trends and the Group's short-term forecast. Medium and long-term diamond price escalation reflects the Group's assessment of market supply/demand fundamentals.

Discount rate

A discount rate of 13.8% (2020: 10%) was used. The discount rate was calculated based on a nominal weighted cost of capital including the effect of factors such as market risk and country risk as at the Year end.

3.1.6 Expected credit loss assessment for receivables due from subsidiaries

The Directors make judgements to assess the expected credit loss provision on the loan to the Company's subsidiary. This includes assessment of scenarios and the subsidiary's ability to repay its loan under such scenarios considering risks and uncertainties including diamond prices, future production performance, recoverable diamond reserves, environmental legislation and other factors. No credit loss provision was raised. If the assumed factors vary from actual occurrence, this will impact on the amount at which the loan should be carried on the Company Statement of Financial Position.

3.1.7 Capitalised stripping costs

Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a 'stripping activity asset'. Judgement is required to distinguish between these two activities at Kareevlei. The orebody needs to be identified in its various separately identifiable components. An identifiable component is a specific volume of the orebody that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are based on a combination of information available in the mine plans, specific characteristics of the orebody and the milestones relating to major capital investment decisions. KV1 and KV2, are mined as a combined pit and is therefore judged to be one separable identified component.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tonnes) of waste to be stripped for an expected volume (tonnes) of ore to be mined for a specific component of the orebody, compared to the current period ratio of actual volume (tonnes) of waste to the volume (tonnes) of ore is considered to determine the most suitable production measure.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the stripping ratio calculation in determining the amortisation of the stripping activity asset.

At the year end the carrying value of the capitalised stripping costs were £844,014 (2020: £nil).

3.1.8 Contingent liabilities

The Group is subject to claims by a former director and companies related to that former director totalling £222,164. Whilst fully disputing the claims, the Group maintains liabilities to the claimants of £170,598. The Group has placed

£206,418 (2020: £214,499) in escrow with its attorneys to meet any payments under the claims. The Group has taken legal advice which advises that the claims are without merit and no provision is made for the additional claim amount. This matter has required the Board to exercise judgment in assessing both the extent to which liabilities should be retained and the decision not to provide for the additional claim amount.

3.1.9 Theft

During January 2022, management at the Kareevlei mine identified a theft of concentrate from the new plant. Management have conducted a full investigation and have passed the case onto the South African police force. At the time of the theft the new plant was being commissioned and subsequently more robust physical security controls have been put in place. Management have considered the impact of the theft on the financial statements and considering all information available, do not consider that the theft has had a material impact on the financial statements.

3.2 Critical judgements in applying the entity's accounting policies

3.2.1 Mining Licence

An application for the renewal of the current Mining Licence has been submitted to the Department of Mineral Resources & Energy in South Africa. As at the date of approval of this report the outcome of this application has not yet been received. In accordance with South African legislation, the Group has the right to continue mining until such time as the application has been processed. The Directors have applied their judgement, and have determined that there is no reason to believe that the approval will not be obtained and have therefore based their assumptions and estimates in the financial statements on the fact that the application will be successful.

3.2.2 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise, or not to exercise, an extension option. Extension options are only included in the lease term for instances where the company is reasonably certain that it will extend or will not terminate the lease when the lease expires. For all leases, the most relevant factors include:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- When the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the group is typically certain to terminate.
- Otherwise, the group considers other factors including historical lease durations, related costs and the possible business disruption as a result of replacement of the leased asset.

The lease term is reassessed on an ongoing basis, especially when the option to extend becomes exercisable or on occurrence of a significant event or a significant change in circumstances which affects this assessment, and that is within the control of the group.

Judgment is needed in determining the lease term of surface lease agreements. The lease term of surface lease agreements are based on the approved Life of Mine (LoM) estimate.

3.2.3 Determining the incremental borrowing rate to measure lease liabilities

Interest rate implicit in leases is not available, therefore, the group uses the relevant incremental borrowing rate (IBR) to measure its lease liabilities. The IBR is estimated to be the interest rate that the group would pay to borrow:

- over a similar term
- with similar security
- the amount necessary to obtain an asset of a similar value to the right of use asset
- in a similar economic environment

The IBR, therefore, is considered to be the best estimate of the incremental rate and requires management's judgement as there are no observable rates available.

4. Property, plant and equipment

4.1 Balances at year end and movements for the year

	Leasehold improvements	Plant and Machinery	Motor vehicles	Total
Reconciliation for the year ended 31 December 2021 - Group				
Balance at 1 January 2021				
At cost	4,676	3,513,434	35,754	3,553,864
Accumulated depreciation	(467)	(1,197,156)	(11,906)	(1,209,529)
Net book value	**4,209**	**2,316,278**	**23,848**	**2,344,335**
Movements for the year ended 31 December 2021				
Additions	-	2,669,974	-	2,669,974
Depreciation	(460)	(291,311)	(2,622)	(294,393)
Impairment loss recognised in profit or loss	-	(83,392)	-	(83,392)
Disposals	-	(40,082)	-	(40,082)
Exchange differences - Cost	(326)	(383,734)	(2,489)	(386,549)
Exchange differences - Accumulated depreciation	57	102,027	969	103,053
Property, plant and equipment at end of year	**3,480**	**4,289,760**	**19,706**	**4,312,946**
Closing balance at 31 December 2021				
At cost	5,067	1,809,364	44,700	1,859,131
Accumulated depreciation	-	(1,056,986)	(23,225)	(1,080,211)
Net book value	**5,067**	**752,378**	**21,475**	**778,920**
Reconciliation for the year ended 31 December 2020 - Group				
Balance at 1 January 2020				
At cost	5,067	1,809,364	44,700	1,859,131
Accumulated depreciation	-	(1,056,986)	(23,225)	**(1,080,211)**
Net book value	**5,067**	**752,378**	**21,475**	**778,920**
Movements for the year ended 31 December 2020				
Additions	-	1,754,985	8,047	**1,763,032**
Depreciation	(443)	(216,653)	(4,225)	**(221,321)**
Disposals	-	(439)	-	**(439)**
Exchange differences - Cost	(391)	(44,067)	(3,734)	**(48,192)**
Exchange differences - Accumulated depreciation	(24)	70,074	2,285	**72,335**
Property, plant and equipment at end of year	**4,209**	**2,316,278**	**23,848**	**2,344,335**
Closing balance at 31 December 2020				
At cost	4,676	3,513,434	35,754	**3,553,864**
Accumulated depreciation	(467)	(1,197,156)	(11,906)	**(1,209,529)**
Net book value	**4,209**	**2,316,278**	**23,848**	**2,344,335**

4.2 Additional disclosures

Assets whose title is restricted and pledged as security	Group 2021	Group 2020	Company 2021	Company 2020
The carrying values of assets pledged as security is as follows:				
Plant and Machinery	18,339	94,103	-	-

Plant and equipment to the value of £18,339 are under security of the loan agreement with Mark Poole. The Group cannot pledge these assets as security for other borrowings or sell them to another entity. In the event of default Mark Poole may acquire the equipment of Kareevlei Mining Proprietory Limited for 1.00 South African Rand.

5. Inventories

Inventories comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
Consumable stores	20,912	13,820	-	-
Work in progress	435,722	137,735	-	-
Diamonds on hand	346,201	306,753	-	-
Total	**802,835**	**458,308**	-	-

Inventory is carried at the lower of cost or net realisable value. During the year no write-downs to net realisable value were recorded.

6. Trade and other receivables

6.1 Trade and other receivables comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
Current				
Trade receivables	4,835	-	3,254	-
Other receivables	27,462	122,139	3,253	122,139
Prepaid expenses	17,894	9,032	9,520	2,509
Value added tax	43,455	30,992	11,433	11,542
Total current receivables	**93,646**	**162,163**	**27,460**	**136,190**
Non-Current				
Other receivables (i)	492,596	425,319	654,874	575,674
Amounts due by subsidiary (ii)	-	-	11,492,128	9,784,358
Total non-current receivables	**492,596**	**425,319**	**12,147,002**	**10,360,032**

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

Company:
(i) Non-current other receivables represent management fees receivable from Kareevlei Mining Proprietary Limited.
(ii) The amounts due by subsidiary is a loan to Kareevlei Mining Proprietary Limited that bears interest at the Nedbank Limited prime variable overdraft rate or unsecured loans to corporate customers.

Group:
(i) Other non-current receivables represent amounts held by financial institutions and the Department of Minerals and Energy as guarantees in respect of environmental rehabilitation obligations in respect of the Group's South African mines.

6.2

Items included in trade and other receivables not classified as financial instruments	Group 2021	Group 2020	Company 2021	Company 2020
Prepaid expenses	17,894	9,032	9,520	2,509
Value added tax	43,455	30,992	11,433	11,542
Total non-financial instruments included in trade and other receivables	61,349	40,024	20,953	14,051
Total trade and other receivables excluding non-financial assets included in trade and other receivables	524,893	547,458	12,153,509	10,482,171
Total trade and other receivables	**586,242**	**587,482**	**12,174,462**	**10,496,222**

7. Cash and cash equivalents (including restricted cash)

7.1 Cash and cash equivalents comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
Cash				
Cash on hand	103	136	-	-
Balances with banks	521,668	569,826	348,993	537,525
Total Cash	521,771	569,962	348,993	537,525
Total cash and cash equivalents included in current assets	**521,771**	**569,692**	**348,993**	**537,525**

Cash and cash equivalents in the Consolidated Statement of Cash flows excludes restricted cash of £206,418 (2020: £214,499).

7.2 Cash and cash equivalents where availability is restricted

Bank balances to the value of £206,418 (2020: £214,499) are not available for use as it is held in trust with the Group's attorneys. This account is held as security for the claims submitted by a former director of the Group and may only be utilised against this claim, should it be successful.

8. Share capital

Authorised and issued share capital	Group 2021	Group 2020	Company 2021	Company 2020
Issued 14,141,002 (2020: 9,086,657) Ordinary shares of 5p (2020: 5p) each	706,050	454,333	706,050	454,333
Share premium	8,656,201	6,885,796	8,656,201	6,885,796
	9,362,251	**7,340,129**	**9,362,251**	**7,340,129**

Share reconciliation

Details of issue	Date	Number of ordinary shares	Share Capital £	Share premium £
Opening Balance	01/01/2021	9,086,657	454,333	6,885,796
Placing and equity issue	03/03/2021	3,750,000	187,500	1,312,500
Placing and equity issue expenses	03/03/2021	-	-	(60,850)
Issue of shares as repayment of loan facility	06/04/2021	61,013	3,050	23,306
Issue of shares as repayment of payables	21/05/2021	1,223,332	61,167	495,449
Shares outstanding – closing		**14,121,002**	**706,050**	**8,656,201**

9. Trade and other payables

9.1 Trade and other payables comprise:

	Group 2021	Group 2020	Company 2021	Company 2020
Trade payables	2,568,336	1,068,671	226,935	45,643
Accrued liabilities	151,076	147,116	66,500	66,183
Account due to former Director	20,260	21,776	-	-
Total trade and other payables	**2,739,672**	**1,237,563**	**293,435**	**111,826**

An amount of £150,339 (2020: £161,588) is included within trade payables which are subject to amounts claimed as being due to companies related to the former Director of the company. These amounts are historic and disputed in full by the Company based on legal advice received. The account due to a former Director totalling £20,260 (2020: £21,776) relates to amounts claimed but disputed in full by the Company.

10. Borrowings

10.1 Carrying amount of borrowings by category

	Designated at fair value	At amortised cost	Total
Year ended 31 December 2021 – Group			
Convertible loans	-	1,414,845	**1,414,845**
Loan facilities	-	532,904	**532,904**
Embedded derivative	3,198	-	**3,198**
Components listed under borrowings on the consolidated and company statements of financial position	**3,198**	**1,947,749**	**1,950,947**
Trade and other payables excluding non-financial liabilities	-	2,739,672	**2,739,672**
Components listed separately on the consolidated and company statements of financial position	-	**2,739,672**	**2,739,672**
	3,198	**4,687,421**	**4,690,619**
Borrowings comprise the following on the consolidated and company statement of financial position:			
Current portion	3,198	614,404	**617,602**
Non-current portion	-	1,333,345	**1,333,345**
	3,198	**1,947,749**	**1,950,947**
Year ended 31 December 2020 – Group			
Convertible loans	-	815,539	**815,539**
Loan facilities	-	687,249	**687,249**
Embedded derivative	21,718	-	**21,718**
Components listed under borrowings on the consolidated and company statements of financial position	**21,718**	**1,502,788**	**1,524,506**
Trade and other payables excluding non-financial liabilities	-	1,237,563	**1,237,563**
Components listed separately on the consolidated and company statements of financial position	-	**1,237,563**	**1,237,563**
	21,718	**2,740,351**	**2,762,069**
Borrowings comprise the following on the consolidated and company statement of financial position:			
Current portion	6,244	689,962	**696,206**
Non-current portion	15,474	812,826	**828,300**
	21,718	**1,502,788**	**1,524,506**

11. Basic earnings per share

	Group 2021	Group 2020
Loss for the year attributable to owners of the company	(1,222,590)	(2,388,532)
Weighted average number of ordinary shares	12,970,498	6,753,581
Basic loss per share	(0.09)	(0.35)