

2 September 2021

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

Posting of Circular and Notice of General Meeting

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 that further to the announcement of 27 August 2021, a shareholder circular (the "Circular") has been published today that contains information on the background to, and reasons for, the proposed replacement of the £1.61 million simple loan note to Teichmann Company Limited ("TCL"), T-Three-Drilling Limited and three Teichmann employees, (together, "Teichmann"), with a convertible loan note (the "Transaction"). The Transaction is conditional on the passing of a Whitewash Resolution which is being proposed at a general meeting of the Company ("General Meeting").

The Circular contains a notice convening a General Meeting which will be held at 9 a.m. on 20 September 2021 at the offices of SP Angel, Prince Frederick House, 35-39 Maddox Street, London W1S 2PP. The Circular has been posted to Shareholders today and is available on the Company's website at www.bluerockdiamonds.co.uk.

Unless otherwise indicated, all defined terms in this announcement shall have the same meaning as described in the Circular.

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.

Dear Shareholder

PROPOSED APPROVAL OF WAIVER GRANTED BY THE PANEL ON TAKEOVERS AND MERGERS OF RULE 9 OF THE CITY CODE ON TAKEOVERS AND MERGERS AND NOTICE OF GENERAL MEETING

1 INTRODUCTION

On 27 August 2021 the Company announced that it had conditionally raised £1.61 million by way of an issue of New Convertible Loan Notes to TCL, T3, Claude Holton, Alan McKinney and Brett Nicolay (together the “**Noteholders**”), such issuance being conditional on the passing of the Whitewash Resolution. The proceeds from the issue of the NCLNs would be used to refinance the Simple Loan Notes issued to the Noteholders as also announced on 27 August 2021.

The Company is requesting the support of Shareholders for the passing of the Whitewash Resolution, which is required in order to complete the Subscription for the NCLNs. The Resolution will be proposed at the General Meeting to be held on 20 September 2021.

The Teichmann Concert Party currently holds 3,785,556 Ordinary Shares, equating to 26.8% of the issued ordinary share capital of the Company. If the issue of the NCLNs to the Noteholders is approved then the Noteholders will have the right to convert the NCLNs into 6,465,247 Ordinary Shares.

The total number of Ordinary Shares of the Company immediately following conversion of the NCLNs into Ordinary Shares through the allotment and issue of the Conversion Shares would be 20,586,249 (assuming no other share issues), of which the Teichmann Concert Party would hold 10,250,803 Ordinary Shares, representing 49.8% of the enlarged issued ordinary share capital of the Company.

2 BACKGROUND

BlueRock is focused on maximising the long-term profitability at its Kareevlei Mine in South Africa, and to this end has implemented an expansion project (“**Project**”) aimed at increasing production to 1Mt per annum (**‘pa’**) from circa 400,000 tonnes pa and increasing annual revenue to circa USD16m assuming a grade of 4 cpht and an average sale price of USD400 per carat. The Project is on track to start its commissioning by the end of August 2021, in line with current expectations, with the new plant beginning to operate at the increased production levels in October. This ramp up to full production is a month later than expected due to the need for a new primary screen which had structural and design defects, and recent disturbances in South Africa which have contributed to the longer than expected delivery date of the screen as well as other equipment needed for the wet plant. Consequently, the Company’s full year production guidance for 2021 is at 600,000 tonnes to 630,000 tonnes processed and carats produced of between 24,000 to 28,000 carats. The average value per carat for Q2 2021 was USD428 per carat compared with the pre-Covid average for 2019 of USD415.

In February 2021, BlueRock appointed BinVic (Pty) Limited (**'BinVic'**), a fully integrated project execution service provider, to manage the Project. Since that time, the Company has undertaken a thorough review of the timing and cost of its proposed expansion plans resulting in an increase in the total project costs by around ZAR15m to around ZAR64m. The increase is a result of a combination of issues: advancing certain works, which had been planned to take place later in the year centred mainly around environmental and sustainability considerations resulting in short term capital implications but longer term sustainability and future cost savings; global price increases, particularly in relation to steel and electronic equipment; and changed project specifications combined with an underestimate of labour/equipment hire costs primarily for fabrication and construction purposes.

In addition, following further review of the life of mine plan, the Company decided to increase the development mining on the main pit and is considering bringing the Company's largest pipe, KV3, into operation earlier than planned. The introduction of KV3 would provide further flexibility and lower the strip ratio once the initial pipe development has been completed.

The team is also looking at stepping up production in the wet season with the new plant designed to do so. To this end, focus will be placed on ensuring that the Company has the right inventory management in place throughout the production process.

Teichmann Financing

The increased costs of the Project, the higher working capital linked to increased mine development, improved accommodation critical to securing skilled personnel and a general strengthening of the balance sheet are intended to be met by new funds being injected into BlueRock through the Teichmann Financing, of which the Heads of Terms was announced on 21 May 2021 with the Company agreeing to issue £1,610,000 of Simple Loan Notes on the basis that provided the Whitewash Resolution is passed, they will be refinanced by the New Convertible Loan Notes, which will bear interest at 14.5% per annum and be convertible into ordinary shares in the Company. However, if the Whitewash Resolution is not passed then the Simple Loan Notes become redeemable within one month with a penalty of 14.5% interest on the whole term of the New Convertible Loan Notes or, if higher, the market value of the Conversion Shares had they been issued. Neither the Simple Loan Notes nor the New Convertible Loan Notes will be secured. The terms of the Subscription Agreement, the Simple Loan Note Instrument and the New Convertible Loan Note Instrument are summarised in section 4 of Part 2.

The issue of the New Convertible Loan Notes will therefore save the Company considerable penalty interest liability.

Teichmann Transaction Rationale

The Teichmann Concert Party has been a substantial shareholder and partner of BlueRock for a number of years now and has a good working relationship with the Board. The Transaction will allow TCL to increase its exposure to the Kareevlei mine which it believes offers considerable value to all shareholders particularly once the current expansion project, which TCL has helped to fund, is completed and the mine is operating at its targeted run rate of 1m tonnes per annum.

Teichmann has confirmed that the NCLN Subscription will be funded from its existing cash resources. No management incentivisation arrangements are agreed or proposed in connection with the NCLN Subscription.

3 INFORMATION ON THE SUBSCRIPTION

On 27 August 2021 the Noteholders entered into a subscription agreement with the Company pursuant to which the Noteholders subscribed for £1,610,000 of Simple Loan Notes, of which payment instalments equal to £402,493.12 have been made to date, and agreed, conditional

only on the Resolution being passed, to subscribe for £1,610,000 of New Convertible Loan Notes to be paid up from the redemption of the Simple Loan Notes.

In the event that the Resolution is not passed by 30 September 2021, the Company will be required to redeem the Simple Loan Notes on 31 October 2021 at the amount invested by the Noteholders plus the greater of:

a) £976,099 (being the interest that would have accrued over the term of the NCLNs at a rate of 14.5% per annum); and

b) the market value of the Conversion Shares, had they been issued, at the closing share price on 30 September 2021 less £1,610,000.

Further details of the Subscription Agreement are set out in section 4 of Part 2 of the Circular. Further details relating to TCL, its ultimate beneficial owners and the Teichmann Concert Party are set out in section 1 of Part 2 of the Circular.

If the NCLN Subscription takes place, the Company will issue £1,610,000 of New Convertible Loan Notes to the Noteholders convertible into Ordinary Shares at a price of 40p per share and based on the rolling up of interest over the three and a half year term of the NCLNs regardless of the timing of conversion. Immediately following such conversion of all the New Convertible Loan Notes, the aggregate number of Ordinary Shares in issue (being the Conversion Shares and the Existing Shares) would be 20,586,249 Ordinary Shares. On this basis, the Teichmann Concert Party would hold 49.8% of the ordinary share capital of the Company in issue immediately following the issue of the Conversion Shares.

The holders of more than 3% of the Company's Ordinary Shares following issue of the Conversion Shares are set out below:

Name of Shareholder	Number of Ordinary Shares held at 1 September 2021	Percentage of issued ordinary share capital of BRD held as at 1 September 2021	Number of Conversion Shares that may be issued	Total number of Ordinary Shares held immediately following conversion	Percentage of issued ordinary share capital of BRD held immediately following conversion
TCL*	2,480,262	17.6	4,390,605	6,870,867	33.4
T3*	971,624	6.9	1,785,540	2,757,164	13.4
Binvic (Pty) Ltd	1,223,332	8.7	-	1,223,332	5.9
Edale Europe Absolute Master Fund	1,316,000	9.3	-	1,316,000	6.4
Spreadex Ltd	1,344,424	9.5	-	1,344,424	6.5

*Under common ownership, part of the Teichmann Concert Party

4 INFORMATION ON THE MINING AGREEMENT

As announced on 21 May 2021, the Company has also agreed non-binding heads of terms with Teichmann SA (Pty) Limited in relation to the payment for its mining services contract influenced by short term higher development costs and the possible decision to bring forward the development of the KV3 pipe. Under this agreement, Teichmann SA (Pty) Limited will

provide extended credit terms to BlueRock in respect of balances due up to 30 June 2021, with such balances expected to be repaid from July 2021 onwards subject to agreement of a repayment plan. Teichmann SA (Pty) Limited will be granted security over the assets of the Company's operating subsidiary Kareevlei Mining (Pty) Ltd during the period of the extended credit, which cannot be called until the funds envisaged under the Teichmann Financing are paid in full.

5 RELATED PARTY TRANSACTION

TCL, and certain connected parties connected with the owners of Teichmann Group, as a substantial Shareholder of the Company, is considered to be a "related party" as defined under the AIM Rules and accordingly, the proposed NCLN Subscription constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules.

The Directors independent of the NCLN Subscription from an AIM Rules perspective, being Michael Houston, David Facey, Gus Simbanegavi, Tim Leslie and Rob Croll, consider, having consulted with the Company's nominated adviser, that the terms of the Subscription are fair and reasonable insofar as the Company's Shareholders are concerned.

6 CITY CODE

The issue of the New Convertible Loan Notes gives rise to certain considerations under the City Code. Rule 9 of the City Code is designed to prevent the acquisition of control of a company to which the City Code applies without a general cash offer being made to all shareholders of that company.

The number of Ordinary Shares held by the Teichmann Concert Party immediately following the allotment and issue of the Conversion Shares would be 10,250,803 Ordinary Shares which would represent 49.8% of the enlarged issued ordinary share capital of the Company

Under Rule 9 of the City Code ("**Rule 9**"), when:

- 6.1 any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company; or
- 6.2 a person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30% but does not hold shares carrying more than 50% of the voting rights of a company and such person, or persons acting in concert with him, acquires an interest in other shares which increases the percentage of shares carrying voting rights in which he is interested;

then, in either case, that person is normally obliged to make a general offer to all classes of shareholders at not less than the highest price paid by him, or persons acting in concert with him, for shares of that class within the preceding 12 months.

Subscription for the New Convertible Loan Notes would give the Noteholders the right to convert the New Convertible Loan Notes into Conversion Shares. Following the allotment and issue of the Conversion Shares, on the basis described above the Teichmann Concert Party would hold 49.8% of the enlarged issued share capital of the Company, of which TCL would hold 33.4%. Accordingly, the NCLN Subscription would normally give rise to an obligation on TCL and the Teichmann Concert Party to make a general offer to all Shareholders. The Panel has agreed, subject to the passing of the Whitewash Resolution on a poll by the Independent Shareholders, to waive the obligation that would otherwise arise on the Teichmann Concert Party to make a general offer to Shareholders pursuant to Rule 9 as a result of the NCLN Subscription.

The waiver of the obligations that would otherwise arise on TCL and the Teichmann Concert Party to make a general offer pursuant to Rule 9 which the Panel has agreed to provide, subject to the Whitewash Resolution being passed on a poll by Independent Shareholders at the

General Meeting, will be invalidated if any purchases of Ordinary Shares are made by the Teichmann Concert Party in the period between the date of this document and the General Meeting.

Further background information in relation to the Teichmann Concert Party and the Waiver is set out in Part 2 of the Circular.

7 INDEPENDENT ADVICE PROVIDED TO THE BOARD

The Takeover Code requires the Board to obtain competent independent advice regarding the merits of the transaction which is the subject of the Whitewash Resolution, the controlling position which it will create, and the effect it will have on Shareholders generally.

Accordingly, SP Angel, as the Company's financial adviser, has provided formal advice to the Independent Directors regarding the Transaction.

8 GENERAL MEETING

Set out at the end of the Circular is a notice convening the General Meeting to be held at 9 am on 20 September 2021 at the offices of SP Angel, Prince Frederick House, 35-39 Maddox Street, London W1S 2PP, at which the following resolution will be proposed.

8.1 The "Whitewash Resolution"

The Whitewash Resolution seeks approval of the waiver granted by the Panel of the obligation that would otherwise arise on the Teichmann Concert Party to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code as a result of the issue to TCL of the Conversion Shares. In order to comply with the City Code, Resolution 1 will be taken on a poll and the Teichmann Concert Party members that own shares, all of whom are disenfranchised from voting, have undertaken not to vote on this Resolution.

8.2 Irrevocable Undertakings

Irrevocable undertakings to vote in favour of the Resolutions have been given to the Company by Shareholders (including the Independent Directors in respect of their holdings of Ordinary Shares) representing in aggregate 24.3% of the issued ordinary share capital of the Company as at 1 September 2021 (being the last business day prior to the publication of this document). Further details of these irrevocable undertakings are set out on page **Error! Bookmark not defined.** of the Circular.

9 ACTION TO BE TAKEN BY SHAREHOLDERS

Whether or not you propose to attend the General Meeting in person, you are asked to complete the Proxy Form and return it to the Company at its registered office address, being 4th Floor Reading Bridge House, George Street, Reading, Berkshire RG1 8LS so as to arrive as soon as possible but in any event no later than 9 am on 16 September 2021. Completion and return of the Proxy Form will not preclude you from attending the General Meeting and voting in person should you so wish.

10 RECOMMENDATION

Should the Resolution not be approved at the General Meeting then, in the absence of alternative funding arrangements being made available and based on the current anticipated cash flow requirements of the Company, the Directors believe that current cash resources of the Company are only sufficient to enable the Company to continue trading for a maximum of a further one month in particular as the Company will be required to redeem the Simple Loan Notes in accordance with their terms.

The Independent Directors, who have been so advised by SP Angel acting as the independent adviser to the Company required for the purposes of Rule 3 of the City Code, consider the Transaction, including the waiver of the obligation which would otherwise arise on TCL and the other members of the Teichmann Concert Party to make a general offer to Shareholders to acquire their Ordinary Shares under Rule 9 of the City Code to be fair and reasonable and in the best interests of Independent Shareholders and the Company as a whole.

Accordingly, the Independent Directors unanimously recommend Independent Shareholders to vote in favour of the Resolution, as they have irrevocably undertaken to do in respect of the shares in the Company held by them totalling 157,844 Ordinary Shares, being 1.1% of the issued ordinary share capital of the Company.

In the event that the Whitewash Resolution is approved, the Concert Party will not be restricted from making an offer for the Company.

Yours faithfully

Michael Houston

Chairman