

18 February 2020

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

Placing and Subscription to Raise £1.9 Million

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 that it has raised £1.9 million via an oversubscribed placing and subscription of 2,235,289 new ordinary shares of 5 pence each in the Company (the "Placing Shares") at a price of 85 pence per Placing Share (the "Placing Price") (the "Placing"). The net proceeds of the Placing will primarily be used to fast-track a doubling of production at Kareevlei and to reduce unit costs significantly.

The issue of 235,289 of the Placing Shares (the "Tranche 2 Placing Shares") will be subject to shareholder approval which is expected to be requested at the Company's 2020 Annual General Meeting.

BlueRock Executive Chairman, Mike Houston, said, *"Securing these funds from new and existing shareholders represents an endorsement of the opportunity that Kareevlei offers to build production, revenues and profitability. Thanks to this Placing, BlueRock can fast-track a material increase in production volumes from the 323,000 tonnes achieved in 2019 to a run rate of +/- 750,000 tonnes per annum and a consequent expected increase in carats to over 30,000 by the end of 2020. Furthermore, we are optimising profitability through reducing unit costs by investing in infrastructure and the benefit of the much improved economies of scale; to this end, our target is to reduce cost per carat by approximately USD50. We look forward to updating the market as we implement the next step of our growth strategy."*

Background & Use of Proceeds

Kareevlei hosts five known diamondiferous kimberlite pipes with a combined inferred resource of 7.7 million tonnes / 367,000 carats (Nov 2018) and produces excellent quality diamonds with 90% of output gem quality. The Company is currently mining two pipes, KV1 and KV2, with KV5 and KV3 planned to be in production by Q3 2020 and 2021 respectively. Kareevlei has a 10-year life of mine (LOM) based on the current resource statement and production of 750,000 tonnes. This is expected to increase materially given that KV1 is approximately 25% larger in area and the improved unit revenue and cost structure and diamond recovery will enhance the economic value and potential depth of the various pipes. The Company expects to update its Resource Statement in 2020.

BlueRock is focused on strengthening Kareevlei's already strong economics. A new team, led by Gus Simbanegavi as CEO of Kareevlei, took over running the mine in May 2019 and immediately increased production resulting in the Group operating profitably in the second half of 2019. As announced on 21 January 2020, BlueRock achieved an aggressive FY 2019 guidance, increasing production volumes by 70% to 323,000 tonnes, carats sold by 118% to

12,675 carats Additionally, the average price of carats increased by 24% to USD415 and the grade of diamonds improved to 4.34 cpht, and a number of high-grade diamonds were recovered, reflective of moving into purer kimberlite mining; in 2019 a total seven stones were sold for in excess of USD50,000 per stone.

2019 represented the completion of step 1 of the Company's business strategy. Step 2 is to optimise the value of Kareevlei by increasing volumes to approximately 750,000 tonnes per annum, increasing recovery rates from approximately 70% to over 90%, and reducing unit costs by approximately 20%.

Purchase of Numovista Plant

The Company's subsidiary, Kareevlei Mining Pty Limited, has entered into a rent to buy agreement to acquire a processing plant from Numovista Pty Limited ("Numovista Plant") (a related party transaction which is discussed further below) which is similar in design to that currently operated by Kareevlei but with a slightly larger capacity. Under the terms of the agreement, Kareevlei will pay a total of ZAR12.3 million (approximately GBP £650k) over 3 years. The Numovista plant will be positioned at a new site closer to KV3, the largest pipe, although sufficiently far away to meet health and safety regulations. The Numovista Plant is expected to be operational by the end of Q2 2020. Whilst the Numovista Plant is being established, the site will also be prepared for moving the existing plant. The existing plant will be moved once the Numovista Plant is operational thus minimising down time with production in 2020 expected to exceed 400,000 tonnes. Both plants are expected to be fully operational during Q4 2020 at which point the Company is expected to be operating at an annual run rate of approximately 750,000 tonnes. Moving the existing plant away from its current position near KV2 has the added benefit of further opening up the potential to continue to mine the combined KV1 and KV2 at deeper levels.

As well as increasing production, the combined plant will enable the increase in recovery from around 70% currently to over 90% for a limited increase in cost through the utilisation of a finer crushing circuit. The expectation is that grades will increase by approximately 1 cpht to 1.5 cpht.

Cost reductions

The Company is also focused on optimising profitability through reducing unit costs and investment in infrastructure and economies of scale.

Accordingly, the Company has entered into an agreement to connect to the National Grid. National Grid Power is less than 30% of the cost of diesel generated power and even allowing for the potential of load shedding the investment of approximately £350,000 required to connect to the grid some 20km distant from the plant, has a payback period of less than 18 months and is expected to reduce the cost per carat by approximately USD 15 to USD 20 per carat.

The increase in volume will reduce the fixed cost per carat significantly as fixed costs will not increase in line with production levels. Management estimate that this will reduce costs by approximately USD 35 to USD 40 per carat.

Accordingly, costs per carat are expected to be below USD 250 once the modifications discussed above have been implemented.

Repayment of Director's loan

The loan from Adam Waugh, a former director of the Company, currently stands at approximately £150,000 and has an effective annual interest rate of around 35%. This will be repaid in full out of the proceeds of the Placing in line with the original terms of the agreement.

Teichmann Subscription

Teichmann Company Limited ("TCL"), an investment company controlled by trusts connected with the owners of the Teichmann Group and a substantial shareholder of the Company, along with certain connected parties including parties connected with the owners of Teichmann Group, subscribed for a total of £804,998 in the Placing.

TCL (and its connected parties') investment will be phased over six months in 3 equal instalments payable on 17 April 2020, 17 June 2020 and 17 August 2020 similar to its previous investment and its shareholding (including that of connected parties) will increase from approximately 19% of the Company's share capital to approximately 29% of the Company's enlarged share capital. TCL has entered into a relationship agreement with the Company and SP Angel Corporate Finance LLP governing TCL and its connected parties' relationship with the Company.

TCL retains the right to appoint a non-executive director to the board whilst it maintains a holding over 10% of the Company's shares however TCL has indicated that it does not currently intend to take up this right.

The issue of 235,289 of the Placing Shares due to Teichmann (the "Tranche 2 Placing Shares") will be subject to shareholder approval which is expected to be requested at the Company's 2020 Annual General Meeting ("AGM") expected to be held in June 2020. A circular convening the AGM is expected to be published nearer the time.

Options

The board intends to grant the following New Share Options to members of the board:

2019 Target Options	2020	Total
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Mike Houston	65,160	116,404	181,564
David Facey		116,404	116,404
Gus Simbanegavi	65,160	232,807	297,967
Total	130,320	465,615	595,935

As announced on 16 May 2019, the 2019 Target Options were to be issued provided that the Company produced more than 12,000 carats in 2019. Accordingly, as the Company produced 14,033 in the year, the 2019 Target Options are now due to be granted.

The New Share Options are expected to be exercisable at the placing price of 85p, have a duration of five years and vest in two tranches: 50% immediately upon grant and the balance on 18 February 2021.

A further announcement in respect of the grant of share options is expected to be issued shortly.

Appointment of Chief Operating Officer

The Board has approved the appointment of Gus Simbanegavi, the CEO of Kareevlei, to the Board of the Company as Chief Operating Officer effective tomorrow. The Board is actively seeking the appointment of another non-executive director.

The following details in relation to the appointment of Augustine Tichatonga Simbanegavi, aged 45, are disclosed in accordance with Schedule 2(g) of the AIM Rules:

Current Directorships

African Mining and Exploration
Kareevlei Mining Pty Limited

Past directorships held within the last five years

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Gus currently holds 10,000 ordinary shares in the Company, 10,000 warrants exercisable at 100 pence each, and 65,160 options exercisable at 50 pence each, 32,580 of which will vest in May 2020.

There are no other disclosures in accordance with Schedule 2(g) of the AIM Rules.

Production Guidance

2019	2020	2021
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Actual (unaudited)			
Volume (tonnes)	323,000	400,000 - 500,000	750,000
Grade (cpht)	4.34	4.00 - 4.50	4.50
Carats sold	12,675	16,000 - 21,250	33,750
Value per carat (USD)	415	360 - 400*	360*

* Fall in value per carat attributable to higher recovery of lower value stones.

Related Party Transactions

Numovista Pty Limited, the current owner of the Numovista Plant, is 30% owned by Wedge Mining and Exploration, and 70% owned by Umamate (Pty) Ltd ("Uamate"). Umamate is 80% owned by parties connected with the Teichmann Group and 10% owned by Mike Houston, Executive Chairman of the Company.

Given Mike Houston and Teichmann Group's connection with Numovista, the acquisition of the Numovista Plant is considered to be a "related party" transaction as defined under the AIM Rules.

The directors independent of the transaction, being David Facey and Tim Leslie, consider, having consulted with the Company's Nominated Adviser, SP Angel Corporate Finance LLP, that the terms of the purchase of the Numovista Plant are fair and reasonable insofar as the shareholders of the Company are concerned.

TCL, as a substantial shareholder of the Company, along with certain parties connected with TCL's owners, is considered to be a "related party" as defined under the AIM Rules and accordingly, TCL's participation (along with that of its owners' connected parties) in the Placing constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules.

The directors independent of the transaction, being David Facey, Tim Leslie and Mike Houston, consider, having consulted with the Company's Nominated Adviser, SP Angel Corporate Finance LLP, that the terms of TCL and its owners' connected parties' participation in the Placing are fair and reasonable insofar as the shareholders of the Company are concerned.

Admission to Trading on AIM and Total Voting Rights

Application will be made for the 2,000,000 Tranche 1 Placing 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 21 February 2020.

Following the issue of the Tranche 1 Placing Shares, the issued share capital of the Company will consist of 5,258,004 Ordinary Shares. No shares were held in treasury at the date of this announcement. The total current voting rights in the Company are therefore 5,258,004.

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.

An application for Admission of the Tranche 2 Placing Shares will be made in due course with such shares expected to admit following the Company's 2020 AGM.

Upon Admission of the Tranche 2 Placing Shares the conversion price of the outstanding convertible loan of £925,000 will be approximately £1.66.

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 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.