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

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

Placing and subscription to raise £1.25 million
Production volume to rise to 1,000,000 tonnes / 45,000 carats per annum
Q2 Production Update

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 conditionally raised gross proceeds of £1.235 million via an oversubscribed placing and subscription of 3,528,574 new ordinary shares of 5 pence each in the Company (the "Placing Shares") at a price of 35 pence per Placing Share (the "Placing Price") (the "Placing"). In addition to the Placing, three of the Company's directors have indicated their intention to subscribe for a further £5,000 each on the same terms as the Placing. Accordingly, the total gross amount raised is expected to be £1.25 million. The net proceeds of the Placing will primarily be used to fast-track its growth plans and strengthen the balance sheet.

Highlights

- Global pandemic halted earlier expansion plans aimed at increasing production volume to 700,000 tonnes per annum
- New funds raised will be used to:
    - Enhance earlier expansion plan to increase production volume to a run rate of 1,000,000 tonnes/45,000 carats per annum by the end of 2020;
    - Implement cost cutting and efficiency measures by the end of H2 2021 to optimise the profitability of the Company; and
    - Strengthen current balance sheet (cash and near cash post fundraising c.£2.4 million)
- Robust operating profile since recommencing operations
    - Production has averaged +1,800 tonnes a day since recommencing operations (Q4 2019: c.1,300 tonnes a day)
    - Grades lower in Q2 2020 reflecting mine development work but increasing in line with expectations as deeper levels are being processed
        - Recently recovered several stones above 6 carats including a 12.3 and a 8.9 carat stone

BlueRock Executive Chairman, Mike Houston, said, *"I had hoped to be confirming that the expansion plans announced in February of this year had progressed in line with our earlier plans and that we were on track to be running at a run rate of 700,000 tonnes per annum during Q3. Unfortunately, the global pandemic halted these plans and forced us to rethink the way in which we operate. Over the last few months we have taken a number of important steps to protect the business in what is an extremely challenging environment: we have brought* *production safely back on line; developed a new marketing channel; put in place a pre-sales financing structure; completed the combining of KV1 and KV2 into KV Main Pit; and further modified the current plant resulting in improved production throughput. In addition, management re-looked at the expansion plan and in line with maximising on the resource utilisation, increased the proposed production from 700,000 tonnes (c.32,000 carats) to 1,000,000 tonnes (c45,000 carats) per annum.*

"The mining to date has illustrated the potential for the overall resource to be increased both in area and depth and we anticipate announcing an updated resource statement in Q3 2020.

"We have stressed to shareholders the importance of getting the economies of scale right; the funds raised today will enable us to continue with this strategy to increase annual production volumes and to implement cost cutting and efficiency measures in order to optimise the profitability of the Company. Additionally, our balance sheet has been significantly strengthened to help us better withstand the extreme uncertainty of operating in a COVID-19 environment while implementing our exciting expansion plans; our current cash and near cash balance of £1.2 million, together with the new funds, give us a total cash balance of c.£2.4 million. We believe that the measures that we have undertaken mitigate the risk of COVID-19 but no company can fully insulate itself from these extreme external factors.

"The health and safety of our employees remain paramount and we have worked closely with the Department for Mineral Resources to implement measures to minimise the risk of working in the COVID-19 environment. To date, I am pleased to say that we have had no cases of COVID-19 amongst our work force and are not aware of any cases in the areas where most of our staff live.

"Given our expansion plans are fully developed, and with the support of existing and new investors, who I am delighted to welcome to our share register, we look forward to commencing work immediately and keeping the market fully informed of progress."

Background & Use of Proceeds

The implementation of the expansion plans announced in February 2020 to increase production to c.700,000 tonnes per annum, was well underway when the COVID-19 pandemic began. The expansion plans were halted when the South African Government announced a lockdown in March 2020 and the Company put Kareevlei into care and maintenance. The plant remained closed for six weeks and there were no diamond sales for three months; the estimated direct cash cost of the pandemic has been approximately £550,000 not including the longer term opportunity cost of weakening diamond prices.

Although this is a significant cost, the Company currently has cash and near cash of approximately £1.2 million. The proceeds of the fund raising will increase the Group's cash balance to approximately £2.4 million. The combined funds will be used to a) complete the enhanced expansion plan to increase production to 1m tonnes per annum, b) implement significant cost saving measures; c) increase recovery rates; and d) provide sufficient cash resources in order to operate in what is likely to remain a challenging environment.

Enhanced Expansion plans

The Company's expansion plan is expected to be completed in two phases:

- Phase 1, to be completed by the end of 2020, is focused on resource optimisation to increase the volume to a run rate of c.1,000,000 tonnes per annum and carats to steady state c.45,000 per annum (2019: 12,675 carats). This will be achieved by operating the existing plant alongside the Numovista plant acquired early this year and the addition of a larger front-end crusher to handle the increased volumes.

- Phase 2, to be completed by the end of H2 2021, is focused on profitability optimisation. This will see the mine connected to the national grid and substantially reduce use of the expensive diesel generators. The introduction of a re-crushing circuit will result in an expected increase in recovery from 70% to c.90% (additional 1 to 1.5 cpht recovered). This process enhances the carat production at a nominal cost.

Costs

Costs per carat are expected to fall from the Q4 2019 figure of cUSD250 per carat to cUSD190 per carat once both phases of expansion are complete. These are largely driven by the impact of the economies of scale on the fixed cost element of the business and the lower power costs.

Cost per carat	**Q4 2019**	**End of phase 1**	**End of phase 2**
Total SA costs* USD	250	220	190

* Excluding intercompany charges

Upgrade Resource

The Current Resource Statement had a Total Inferred Resource of 7.7m tonnes at 4.7cpht equating to 367,000 carats as at November 2018. There is the potential for this to increase materially given that:

a) Mining to date has shown that KV1's footprint is approximately 25% larger than thought; and
b) Management estimate that the KV Main Pit (KV1/KV2 combined) has an estimated economic depth of at least 120m although the current Resource Statement is based on an economic depth of 65m in KV1 and 100m in KV2.

The Company is going to undertake further drilling during July and August to prove the continuation of the resource at depth of KV Main Pit. Following that drilling, the Company anticipate an updated Resource Statement will be available to be notified to the market in Q3 2020.

In addition, KV3, which is potentially larger than KV Main Pit, has a Resource Statement based on only 40% of the surface area of the pit. It is the Company's intention to investigate KV3 further to establish if the area currently not included can be commercially mined. The Company aims to complete this work in early 2021.

Mine Plan

The combination of KV1 and KV2 into KV Main Pit was completed at the end of June 2020 and has been operating as one pit in July 2020. The Company is now able to mine KV Main Pit efficiently with operations currently at the 30/40m level. Each 10m lift provides approximately 650,000 of kimberlite.

With a combined average grade of over 5cpht and the proven high quality diamonds recovered to date, the creation of the larger pit substantially de-risks the Company's mining operation whilst the other pits are fully evaluated and KV5 and KV3 are brought into production over 2021/22 respectively.

Test mining completed to date on KV5 has indicated that this pipe has larger average sized diamonds and of high quality; work will be completed on the final mine design in 2020 to bring this pipe fully into production in 2021.

The overall objective is to have maximum flexibility in the Company's mining operation by having the ability to blend the three main resources (KV Main Pit, KV3 and KV5).

Q2 Production update

	Q1 2019	**Q2 2019**	**Q3 2019**	**Q4 2019**	**Q1 2020**	**Q2 2020***
TONNES PROCESSED	41,667	78,759	92,483	110,125	74,011	90,830
GRADE CPHT	3.41	4.46	4.30	4.65	3.38	2.73
CARATS PRODUCED	1,422	3,516	3,973	5,121	2,503	2,478
CARATS SOLD	1,847	2,517	4,139	4,170	3,267	2,413
AVG. PRICE PER CARAT USD	371	430	432	410	327	290

* Only 50 operating days due to COVID-19 related mine closure

H1 2020 was focussed on developing KV Main Pit, which was completed right at the end of the half. This led to lower grades in the half as the mining was concentrated on higher levels and near the edges of the pit as KV Main Pit was being completed. Lower levels are now fully accessible and being processed and the recoveries in early July 2020 indicate that the grade is increasing in line with expectations together with the recovery of a number of high quality stones above 6 carats including a 12.3 carat and an 8.9 carat stone. The estimated value of these stones will be announced, in accordance with the Company's policy, once they have been valued by Bonas, the Company's new marketing agent in Antwerp. The average price per carat achieved in Q2 2020 reflects the terms of the private sale announced on 8 June 2020.

Production has averaged over 1,800 tonnes a day since recommencing operations in May (50 days). This is significantly higher than the average daily tonnage in Q4 2019, which achieved a then record of c.1,300 tonnes a day. This has been achieved by reconfiguring the front end of the crushing circuit prior to recommencing operations in May. These modifications are a bridging arrangement prior to moving over to the larger crushing circuit at the new plant site.

Extension of convertible loan note and conversion price update

The Company has been granted an option to extend the term of £462,500 of the existing Convertible Loan Note (total face value £925,000) by a year from its current maturity date of October 2021 at no extra cost. The Company's non-executive Director Tim Leslie holds 50% of the convertible loan note.

Following the Placing, the conversion price of the entire Convertible Loan Note will be adjusted to £1.15 in accordance with its terms.

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 £362,500 in the Placing in line with the current 29% shareholding held by TCL and connected parties.

The TCL investment (and its connected parties) will be phased over six months in three equal instalments payable on 15 September 2020, 15 November 2020 and 15 January 2021 similar to its previous investments.

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.

Director Subscription

In addition to the Placing, three of the Company's directors being Michael Houston, David Facey and Gus Simbanegavi, have indicated their intention to subscribe for a further £5,000 each on the same terms as the Placing via the issue of a further 42,855 shares ("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. It is likely that the Director Subscription will constitute a related party transaction under the AIM Rules for Companies.

Related Party Transaction

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. Accordingly, the participation of TCL and its connected parties in the Placing constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules.

The directors independent of TCL's participation (and connected parties) in the Placing, being Michael Houston, David Facey, Tim Leslie and Gus Simbanegavi, consider, having consulted with the Company's Nominated Adviser, SP Angel Corporate Finance LLP, that the terms of TCL's 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 Placing Shares and Director Subscription 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 July 2020.

Following the issue of the Placing Shares and Director Subscription Shares, the issued share capital of the Company will consist of 9,064,722 Ordinary Shares. No shares were held in treasury at the date of this announcement. The total current voting rights in the Company are therefore 9,064,722.

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.

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.