

16 October 2019

**BlueRock Diamonds PLC ('BlueRock' or the 'Company')**  
**Q3 2019 Production Update**  
**Record 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 Q3 2019 production update.

**Overview**

- Monthly target of 40,000 tonnes achieved ahead of schedule in September 2019
- Record levels of production of 92,500 tonnes, up 45% (Q3 2018: 63,600 tonnes), notwithstanding suspension of operations for 19 days during crushing circuit works in July
- Grade of 4.30 cpht (Q3 2018: 3.13 cpht)
- Average price achieved of US\$432/c on sales of 4,139 carats (Q3 2018: 1,834 carats sold at US\$341/c)
- Second gem quality stone recovered in excess of 20 carats
- Tender revenue US\$1,786,000 (Q3 2018: US\$614,000)

**BlueRock Executive Chairman, Mike Houston, said,** *"I am extremely pleased with the continued success at Kareevlei. We reached our monthly production target of 40,000 tonnes earlier than planned and achieved record levels of production for the quarter. The increased production, coupled with the increase in grade to above the lower end of expectations, as well as the continued quality of our diamonds leading to consistently high values per carat, has led to record levels of income and lowered unit costs of production. I remain confident that we will meet our target of profitability in the second half of 2019."*

**Overview**

The Board is pleased with the continuing progress made at Kareevlei. Q3 2019 saw record production volumes of 92,500 tonnes despite the shutdown of the plant in July 2019 in order to install the new crusher. In September, the Company processed over 40,000 tonnes, a month earlier than planned. The increased volumes together with increased grade led to record levels of diamonds being recovered in the quarter and, thus, record levels of revenue.

Having achieved near-term targets, the Company is now looking at ways of increasing production further and preparing for the rainy season, which traditionally impacts the first quarter of each year. This is discussed in further detail below.

## Production

|                      | 2019 Q3 |        |          | 2019 year to date |         |          |
|----------------------|---------|--------|----------|-------------------|---------|----------|
|                      | 2019    | 2018   | Increase | 2019              | 2018    | Increase |
| <b>Tonnes Milled</b> | 92,500  | 63,600 | 45%      | 212,900           | 136,600 | 56%      |
| <b>Grade</b>         | 4.30    | 3.13   | 37%      | 4.19              | 3.34    | 25%      |
| <b>Carats</b>        | 3,973   | 1,834  | 117%     | 8,912             | 4,272   | 109%     |

Production reached 92,500 tonnes in Q3 2019. The plant was closed for 19 days in July (14,000 tonnes) and early August (38,400 tonnes). Accordingly, September production (40,100 tonnes), which was the first full month of production following the installation of the new crusher, reached the Company's internal target of 40,000 tonnes per month for the first time. Production levels are continuing at this rate in October and the Company is mitigating the risk of breakdowns of key equipment by systematically upgrading plant and ensuring that there are stocks of critical spares.

The grade continues to increase, and, in the quarter, recovery grade exceeded the lower end of the Company's 2019 guidance of 4.25 carats. Production in Q3 was primarily from KV1. The Board expects grades in the short to medium term to remain within current guidance as the multi-pit mining strategy is developed, and the operations will have kimberlite from various depths.

## Mining

The Company's new mining contractor, Teichmann South Africa (Pty) Limited ("Teichmann"), commenced operating in the quarter and has made good progress, achieving the development waste and ore targets.

In preparation for the rainy season, the Company has started creating stockpiles of crushed ore so that production can continue throughout the rainy season other than in extreme weather conditions. At the end of September 2019 the crushed stockpile stood at around 6,000 tonnes. It is planned to increase this to approximately 50,000 tonnes by the end of December. To assist in this process, the Company is currently negotiating an agreement with a specialist crushing contractor, which will crush the oversize boulders that have been produced over the life of the mine and which are too large for the existing crushing plant (estimated at between 15,000 to 20,000 tonnes) together with run of mine ore mined in excess of the monthly requirement. Teichmann, the Company's mining contractor, has the capacity to increase its activities to meet the expected new production schedules.

## Tender Results

|                     | Q3        |         |          | 2019 year to date |           |          |
|---------------------|-----------|---------|----------|-------------------|-----------|----------|
|                     | 2019      | 2018    | Increase | 2019              | 2018      | Increase |
| <b>Carats</b>       | 4,139     | 1,834   | 126%     | 8,504             | 4,248     | 100%     |
| <b>Price</b>        | 432       | 336     | 28%      | 418               | 338       | 24%      |
| <b>Revenue US\$</b> | 1,786,200 | 614,400 | 191%     | 3,554,400         | 1,436,200 | 147%     |

There were 1,149 carats on hand at the end of September, which will be placed in the October tender (1,326 carats on hand at the beginning of the period). This stock includes the 20.7 carat diamond that was announced on 27 September 2019.

The significant increase in the carat sales compared with last year reflects the increased production volumes, increased grade and a 28% increase in the value per carat. The average value per carat for the quarter of US\$432 is similar to that achieved in Q2 2019 (US\$ 430) suggesting that prices might have stabilised. The average value is impacted by the increasing incidence of larger stones although the main reason for the high value per carat remains the fact that production is characterised by a preponderance of good quality stones in the one to three carat range. So far this year, the Company has sold approximately 100 stones with a value per carat in excess of US\$1,000, slightly over half of which were in Q3.

### **Costs of production**

August and September 2019 represent near steady state production with the Company's current plant configuration. Whilst the cost structure will change as plans are implemented to increase production further, costs for these two months represent the best current guide to the cost of production.

The total per tonne cost of production (including all costs incurred by Kareeveli but not the UK plc costs) for August and September 2019 was approximately ZAR 190 per tonne (US\$13 per tonne at an exchange rate of 1USD = ZAR15). At a grade of 4.3 (the average grade for Q3 2019) this equates to a cost per carat of approximately US\$300, compared with the average revenue per carat in Q3 of US\$ 432.

The Company expects that, in addition to the cost per tonne reductions arising from increased production, there are several areas where significant cost savings can be made including, for example, linking up to the electricity grid hence reducing significantly the cost of powering the plant.

### **New Developments**

The Board has recently approved the purchase of a third pan, which will be introduced into the plant in November this year. This will enable the three pans to be run at a higher level of efficiency, which should improve the diamond recovery, as well as adding additional processing capacity

With the additional processing capacity, management will, as the mining plan develops, look to significantly increase throughput with a limited capital expenditure requirement, enhancing the potential for lowering operating costs per tonne.

### **Outlook**

In Q4 2019, management will be concentrating on continuing to operate at the levels achieved in August and September and preparing for the rainy season by producing a significant stockpile of crushed ore as discussed above.

The introduction of the third pan will allow Kareevlei to increase production materially, however, in the short term it will be subject to how successfully the mining and crushing operations are able to ramp up in response to the increased plant capacity.

## Guidance

Following the results of the third quarter and the likelihood of some benefit from the third Pan in Q4 the 2019 guidance has been amended to the following levels:

|                              | <b>2019 revised</b> | <b>2019 previous</b> |
|------------------------------|---------------------|----------------------|
| <b>Volume (tonnes)</b>       | 310,000 - 335,000   | 280,000 - 335,000    |
| <b>Grade (cpht)</b>          | 4.25 – 4.5          | 4.25 - 5.0           |
| <b>Carats</b>                | 13,000 – 15,000     | 12,000- 16,500       |
| <b>Value per carat (USD)</b> | 400-450             | 340                  |

Production guidance for 2020 will be amended once plans for increasing production have been finalised. For reference, the unamended guidance is shown below.

|                              | <b>2020 unamended</b> |
|------------------------------|-----------------------|
| <b>Volume (tonnes)</b>       | 380,000 - 430,000     |
| <b>Grade (cpht)</b>          | 4.25 - 5.0            |
| <b>Carats</b>                | 16,000 - 21,500       |
| <b>Value per carat (USD)</b> | 340                   |

## Guidelines for announcing individual diamonds

Given the increasing incidence of larger higher value stones the Board has adopted a formal announcement policy reflecting the practice to date. Accordingly, any individual stone over 20 carats or with an initial indicative valuation of over USD100,000 will be announced on recovery, although without the indicative valuation amount. All individual stones sold for in excess of USD50,000 will be announced following the results of the tender in addition to updates on the sale values achieved for larger stones previously announced on recovery.

## Board Update

As previously announced, Teichmann Group has the right to appoint a director to the Board although to date it has not elected to exercise this right.

## Shareholder conference call

BlueRock will be hosting a shareholder conference call on Friday 18 October 2019 at 2.00pm (BST) in line with its commitment to maintaining positive engagement with its shareholders.

Shareholders are invited to submit questions via email in advance of the call, which management will aim to respond to during the call. Questions should be sent to St Brides Partners at [shareholderenquiries@stbridespartners.co.uk](mailto:shareholderenquiries@stbridespartners.co.uk), which will be compiling the questions on behalf of the Company.

To participate in the conference call, please dial 0808 109 0701, or +44 (0) 20 3003 2701 if you are calling from outside of the UK and enter the participant pin 1569344# when prompted to do so. Please note that all lines will be muted except for BlueRock's management team.

The management team will strive to answer as many questions as possible during the call, however, it should be noted that no new information regarding the Company will be provided during the call. The Company plans to make a recording of the call available on its website.

If you have any problems accessing the call, please contact St Brides Partners Ltd on [shareholderenquiries@stbridespartners.co.uk](mailto:shareholderenquiries@stbridespartners.co.uk) or call +44 (0) 20 7236 1177.

*Market Abuse Regulation (MAR) Disclosure - Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.*

**\*\*ENDS\*\***

For further information, please visit BRD's website [www.bluerockdiamonds.co.uk](http://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 3 September 2018, it was estimated that the remaining Inferred

Mineral Resource from the three kimberlite pipes (KV1, KV2 and KV3) represents a potential inground value of circa US\$124 million at a current average run of mine diamond value of US\$362/carat.