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

22 June 2020

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

Final Results and Notice of AGM

BlueRock Diamonds PLC, the AIM listed diamond producer, which owns and operates the Kareevlei Diamond Mine ('Kareevlei' or the ‘Project’) in the Kimberley region of South Africa, is pleased to announce its audited results for the year ended 31 December 2019.

Highlights for The Year & Post Year End

- Revenue up 190% to £4.1 million (2018: £1.4 million)
- Carats sold up 124% to 12,675 (FY 2018: 5,657)
- Production volume up 70% to 323,000 tonnes (FY 2018: 190,000 tonnes)
- Average grade up 32% to 4.34 cpht (FY 2018: 3.28 cpht)
- Average price per carat up 24% to USD415 per carat (FY 2018: USD334)
- New operating team appointed May 2019, achieved target to reach annual run rate of 400,000 tonnes and operational profitability through enhanced production at the end of 2019
- Working well with new strategic partner, the Teichmann Group, which holds a 29% interest in the Company (after share issue post AGM)
- Advanced strategy to take the mine to a mid-sized mine positioned for a material increase in production
- Back to full production following the outbreak of COVID-19 - identified a new route to market with pre-sale financing that enables the Company to have greater flexibility over when sales are made
- Private sale of a parcel of diamonds completed in June 2020 at an average price of USD 290 per carat reflecting ongoing demand for Kareevlei diamonds
- Committed to providing both the community and the employees with a 5% interest in the local company in accordance with the South African Mining Charter
- Future focus on increasing production to increase economies of scale and reduce unit costs

The Company also announces that the BlueRock Annual General Meeting ('AGM') will be held at 10am on 14 July 2020 at the offices of SP Angel, 35- 39 Maddox Street, London, W1S 2PP.

Please note that due to COVID-19 and the UK’s Government restrictions on travel, assembly and guidance on meetings, shareholders, their proxies and corporate representatives are requested not to attend in person, as they will not be admitted to the meeting. Shareholders are only able to vote on resolutions set out in the Notice of AGM by proxy.

The Company will hold a shareholder call, following the AGM, on the afternoon of 14 July 2020, details of which will be provided in due course.

The Company's annual report and accounts, Notice of AGM and Forms of Proxy will be dispatched to shareholders later today and will be available on the website at www.bluerockdiamonds.co.uk.

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

BlueRock Diamonds PLC Mike Houston David Facey, FD	 mhouston@bluerockdiamonds.co.uk dfacey@bluerockdiamonds.co.uk
SP Angel (NOMAD and Broker) Stuart Gledhill / Caroline Rowe	 Tel: +44 (0)20 3470 0470
St Brides Partners Ltd (Financial PR) Susie Geliher / Cosima Akerman	 Tel: +44 (0)20 7236 1177

To view the full report with illustrative graphs please visit our website: www.bluerockdiamonds.co.uk.

Chairman's Statement

I am pleased to present a review of your company in 2019. At the time of writing this report we continue to feel the impact of the coronavirus pandemic with its devastating effect on peoples' lives and the business environment. It is pleasing to note how well the management team and our employees have responded to what is a very difficult situation and I will cover this later in my report.

Operational Highlights

2019 was a successful year from two fronts, firstly your Company achieved all of its key objectives for the year and secondly, we have taken a number of steps to take the mine from an unconventional small scale operation to a mid-sized mine that is positioned for a material increase in production; set out below are the key operating statistics for the year.

- Revenue up 190% to £4.1 million (2018: £1.4 million)
- Carats sold up 124% to 12,675 (FY 2018: 5,657)
- Production volume up 70% to 323,000 tonnes (FY 2018: 190,000 tonnes)
- Average grade up 32% to 4.34 cpht (FY 2018: 3.28 cpht)
- Average price per carat up 24% to USD415 per carat (FY 2018: USD334)

The key turning point for Bluerock was the fund raising in May 2019 allied with the appointment of a new operating team in South Africa headed by Gus Simbanegavi and our strategic alliance with the Teichmann Group, a pan African mining and civil engineering group. The combination of the

above brought new energy, focus and professionalism to the operations and this is reflected not only in results for the year but also in a dramatic change to the operations on the ground. All employees are to be commended for their efforts in what has been a transformational year.

Safety, health and environment was at the forefront of operations and it is pleasing to report that we remain fatality-free with only one loss time incident recorded during the year. Management have worked closely with the Department of Mineral Resources over the year and we express our appreciation for their support and advice.

We remain very conscious of our social responsibility to the community and continue to support projects in consultation with community leaders and the company has committed to meet its obligation in terms of the new mining regulations whereby both the community and the employees would have a 5% interest in the local company, which will be implemented on renewal of the mining licence or earlier.

The prices for our diamonds were stable for much of the year and BlueRock with its high-quality diamonds continued to build its brand. The overall average price for 2019 was outstanding at $415 per carat, a 24% increase over the average for 2018 at USD 334 per carat.

It has been pleasing to see the mining operations develop over the year with waste mining tonnes up 80% on 2018 at a strip ratio of 2 to 1 which is in line with our longer term mining plan. Total ore mined was 60% up on 2018 with the majority of ore for the year mined out of KV1. In developing KV1 we have established it is approximately 25% bigger in surface than declared in the Resource Statement set out in the Competent Person's Report dated August 2013.

Some test mining was done on KV5 with very positive results. We believe KV5 is a relatively small pipe, but the average size and quality of diamonds recovered was encouraging. We intend confirming this when we update the Resource Statement in 2020.

It was decided during the year that KV1 and KV2 should be mined as one opencast pit as this would provide the most efficient way of accessing KV2 (partially mined to +/-30m in 2017/18) and provide a higher degree of flexibility with the bigger surface area of the combined pipes. The full benefit of this combined pit will be realised in the second half of 2020, but whilst the pushback and road structure are being completed and KV2 is cleaned up, lower grades are possible.

KV1/KV2 will be the key source of ore in the mid-term whilst management look at the development of the largest resource in KV3 and the high grade but smaller KV5.

There has been good progress in our processing operation with improvements made in various areas. Processed tonnes were 70% up on 2018 and combined with higher grades achieved, carats sold were 124% up on 2018.

The major challenges remain dealing better with the wet season and the handling of harder more abrasive ore as a higher level of pure kimberlite is mined at depth. Recent modifications on the primary crushing circuit will go some way to resolving the situation but, the long term solution is in the design of the new upgraded plant. The new plant, when completed will also provide opportunity to increase the recovery rate by finer crushing.

The overall financial results for the year are encouraging although as stated in earlier reports the percentage of fixed costs remains too high and it is essential that we get the economies of scale right.

Strategic partner

Teichmann Group became a strategic partner in May 2019 when they took part in the May 2019 placing and became a 20% owner of the Company. They increased their group holding to approximately 29% in the February 2020 capital raise. Teichmann Group is a large civil engineering group, has been operating since 1995, has 1,800 employees and operates throughout Southern/Central Africa.

At the same time, Teichmann Group was appointed as our mining contractor as discussed in the mining section above.

Claims from a former director

The claims made by Riaan Visser, the ex-CEO of the Company, amounting to £260,108, remain unresolved. Nevertheless, an amount of £198,688 is provided for in the accounts and there is cash collateral held by our lawyers of £223,914 to fund the claim. Accordingly, there would be minimal impact upon the finances of the company even if the final resolution required to settle the amount in full, which the Board believes to be a highly unlikely outcome.

Company strategy

During 2019, the Company set out its short and medium term strategy. Our strategy has three distinct steps outlined below.

Nr	Goal	Comment
Step 1	• Reach annual run rate of 400,000 tonnes • Become operationally profitable	Completed by the end of 2019
Step 2	Optimise profitability through internal growth	Decision taken in February 2020 to double production again to over 750,000 tonnes a year by the end of 2020 • Funds raised • Implementation started

		Expansion halted due to COVID-19 as discussed further below
Step 3	External growth	To be implemented once step 2 is achieved

Step 1 was completed by the end of 2019 and the Group achieved positive comprehensive income for the second half of 2019 (excluding non-cash adjustments for IFRS 9 charges, share-based payments and movement in foreign exchange). Plans to implement Step 2 started to be developed during quarter 4 2019 and finalised at the beginning of quarter 1 resulting in the fund raising in February 2020. Although we had begun to implement Step 2 of our strategy, the onset of the COVID-19 pandemic has halted progress for the time being.

Steps 1 and 2 are designed to increase production and economies of scale and reduce costs and hence increase profitability. At an annual run rate of 400,000 the Group is expected to be profitable. Management's assessment is that given the size of the resource increasing production to between 700,000 to 1,000,000 tonnes a year is the optimum balance between economies of scale and the practicalities of mining.

Events following the end of the year

2020 started as planned. In February 2020, the Company raised £1.9 million gross of expenses in order to increase production from the current annual run rate of 400,000 tonnes per year to over 700,000 tonnes per year.

Key to this strategy was a) the acquisition of a second-hand plant on a rent to buy basis for a total of ZAR 12.3 million (approximately £650,000) over 3 years; b) upgrading the primary crushing circuit; and c) moving the existing plant to a new site alongside the second plant to comply with health and safety regulations as the mine continues to expand.

The purchase of the second plant was completed in February 2020. Once assembled, the new plant will run as a second line alongside the existing plant fed by the upgraded primary crushing circuit. Preliminary ground works for the new plant site had commenced when works were halted as a result of the South African Government's imposition of a nationwide lockdown commencing 26 March 2020.

Kareevlei was put into care and maintenance mode pending changes in the approach of South African Government and secondly on being able to identify a route to market that would allow the operations to run cash flow positively.

The tender held in Kimberley in March was poorly attended and the bids that were received for our diamonds are best described as speculative and, as a consequence, we withdrew the diamonds from sale.

Given the likely ongoing travel restrictions to and within South Africa and the likely ongoing impact on the South African diamond tenders, the Company expedited its plan to commence selling diamonds in the international market.

We focussed on Antwerp as being the most liquid diamond market and the most likely to return to operating normally in the shortest period of time, particularly as many diamond buyers have representatives located in Antwerp hence reducing the impact of any ongoing travel restrictions.

After discussion with a number of operators in Antwerp, an agreement was signed with Bonas-Couzyn NV, part of the Bonas Group ("Bonas"). Bonas is the world's longest established diamond brokerage and consultancy firm and is the largest global independent diamond and gemstone tender and auction house operating 50 sales a year having sold 6.1 million carats in 2019. Bonas attracts approximately 160 buyers to its sales, significantly more than attend the local tenders held in Kimberley. Bonas held its first tender since the outbreak of COVID-19 from 12 to 18 June 2020.

At the same time as reaching the agreement with Bonas, the Company entered into a non-binding letter of intent ("Letter of Intent") with Delgatto Diamond Finance Fund LP ("DDFF) to provide bridging finance between production of diamonds and eventual sale. Under the terms of the letter of intent, DDFF will finance monthly parcels of diamonds at 70% of the market value as determined by BONAS at a cost of 1.25% per month (equivalent to 15% per annum).

This will enable BlueRock to have flexibility over when its diamonds are sold. It is management's expectation that the first sale will occur in Antwerp in September 2020.

The Board has taken the decision to focus on keeping the cost of production as low as possible to minimise the risk that its selling or finance price (being 70% of market value) will be below cost of production. Accordingly, the decision has been taken to reduce the level of development mining to align with the lower annual production, remove contract crushing and freeze employment whilst continuing to manage overhead costs. The Company will also benefit for a period from the weaker exchange rate and the material drop in the oil price.

In late May 2020, we were approached by one of the local tender houses to consider a private sale of the diamonds that we had on hand at that time. The private sale was completed on 5 June 2020 at an average price of USD 290 per carat. This sale at a time when the traditional sales channels for diamonds remained closed and at a price which we estimated to be at current market value for that particular parcel of diamonds was an excellent result in a highly uncertain market. The parcel sold did not contain any notable high value diamonds and therefore the price achieved is approximately 15% below what we would have expected to achieve for this parcel pre the Covid-19 pandemic.

Cost of Covid-19 to date

Our estimate is that COVID-19 has directly had a negative impact on the cash position of the Company of approximately £550,000 comprising:

1) Impact on revenue - £100,000

As mentioned above, the March tender attracted speculative buyers only and our diamonds were withdrawn from sale. In June 2020 these diamonds together with additional diamonds were sold to a private buyer at $290 per carat.

Although this was below what would have been expected before Covid-19, this has reversed some of the short-term cash shortfall. The impact on anticipated revenue to date is £100,000 following the above sale, where prices were discounted by 15%.

2) Care and maintenance costs - £150,000

Costs were reduced to a minimum of approximately £40,000 per month in South Africa and approximately £35,000 a month in the UK after reductions in board salaries and deferred payments to our regulatory service providers.

3) Start-up costs - £300,000

In order to start up operations all of our suppliers insisted in being paid in full for all of the outstanding bills. This amounted to a working capital outflow of £300,000. This will be reversed over time as we re-institute the normal credit terms, although some suppliers are now insisting upon cash up front (notably diesel purchases).

The full effect of Covid-19 on profits is still uncertain and depends upon how quickly diamond prices recover, the possibility of a further shutdown and how soon we will now be able to implement our delayed expansion plans.

Currently, the Group has cash of £799,000 and committed funds of £274,000 due from Teichmann from their subscription in February 2020, in accordance with the terms agreed. We have 23,000 tonnes in concentrate form awaiting sorting. Assuming a grade of 3.5 we expect there to be approximately 810 carats.

Outlook

The Company has positioned itself for the challenges ahead as follows:

a) It has put in place a new sales channel in the most liquid diamond market in the world

b) It has put in place indicative financing in order to provide bridging finance until the market recovers sufficiently for the sale of diamonds at a more normalised value

c) It has amended its operating strategy to align mining activity with the revised levels of activity to minimise near time cash costs without endangering the long term future of the mine.

The Board believes that this approach is the best way of operating the company through what is likely to continue to be a challenging market.

The future of BlueRock will rely upon increasing production in order to increase economies of scale and reduce unit costs.

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 2019	Group 2018	Company 2019	Company 2018
Assets				
Non-current assets				
Property, plant and equipment	778,920	570,803	-	-
Right-of-use assets	455,381	-	-	-
Mining assets	406,068	303,377	-	-
Investments in subsidiaries	-	-	5	5
Other receivables	344,442	57,458	-	-
Total non-current assets	**1,984,811**	**931,638**	**5**	**5**
Current assets				
Inventories	837,347	191,406	-	7,352
Trade and other receivables	56,703	71,864	8,088,725	6,677,637
Cash and cash equivalents (including restricted cash of £223,914 (2018: £210,128))	389,849	378,309	378,062	275,736
Total current assets	**1,283,899**	**641,579**	**8,466,787**	**6,960,725**
Total assets	**3,268,710**	**1,573,217**	**8,466,792**	**6,960,730**

Equity and liabilities				
Equity				
Share capital	162,900	44,352	162,900	44,352
Share premium	4,147,980	3,460,309	4,147,980	3,460,309
Accumulated loss	(5,120,207)	(4,609,485)	(79,444)	(62,594)
Other reserves	3,118,484	2,330,670	3,100,761	2,336,847
Total equity attributable to owners of parent	2,309,157	1,225,846	7,332,197	5,778,914
Non-controlling interests	(1,764,910)	(1,599,785)	-	-
Total equity	**544,247**	**(373,939)**	**7,332,197**	**5,778,914**
Liabilities				
Non-current liabilities				
Provisions	302,989	204,840	-	-
Borrowings	916,489	1,103,894	916,490	1,076,835
Lease liabilities	454,508	-	-	-
Total non-current liabilities	**1,673,986**	**1,308,734**	**916,490**	**1,076,835**
Current liabilities				
Trade and other payables	880,584	587,545	61,407	58,734
Borrowings	156,698	50,877	156,698	46,247
Lease liabilities	13,195	-	-	-
Total current liabilities	**1,050,477**	**638,422**	**218,105**	**104,981**
Total liabilities	**2,724,463**	**1,947,156**	**1,134,595**	**1,181,816**
Total equity and liabilities	**3,268,710**	**1,573,217**	**8,466,792**	**6,960,730**

Consolidated Statement of Profit of Loss and Other Comprehensive Income

Figures in £	**Group 2019**	**Group 2018**
Revenue from contracts with customers	4,073,853	1,416,699
Other income	911	1,882
Administrative expenses	(128,326)	(89,498)

Operating expenses	(4,418,605)	(3,132,047)
Loss from operating activities	**(472,167)**	**(1,802,964)**
Finance income	25,460	8,600
Finance costs	(192,350)	(145,571)
Other losses	(45,187)	(506,189)
Loss before taxation	**(684,244)**	**(2,446,124)**
Income tax credit	-	4,181
Loss for the year	**(684,244)**	**(2,441,943)**
Loss for the year attributable to:		
Owners of Parent	(510,722)	(1,902,842)
Non-controlling interest	(173,522)	(539,101)
	(684,244)	**(2,441,943)**
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	32,297	519,276
Total other comprehensive income	**32,297**	**519,276**
Total comprehensive loss	**(651,947)**	**(1,922,667)**
Comprehensive loss attributable to:		
Owners of parent	(486,822)	(1,518,578)
Non-controlling interests	(165,125)	(404,089)
	(651,947)	**(1,922,667)**
Basic and diluted loss per share		
Basic loss per share	(0.21)	(4.29)

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The loss after taxation for the financial year for the parent company was £16,850 (2018: Loss of £368,480).

Consolidated Statement of Changes in Equity – Group

Figures in £	Share capital	Share premium	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 2018	1,398,242	2,811,536	-	(390,441)	126,644	(2,706,643)	1,239,338	(1,195,696)	43,642
Changes in equity									
Loss for the year	-	-	-	-	-	(1,902,842)	(1,902,842)	(539,101)	(2,441,943)
Foreign exchange movement	-	-	-	384,264	-	-	384,264	135,012	519,276
Total comprehensive income	-	-	-	384,264	-	(1,902,842)	(1,518,578)	(404,089)	(1,922,667)
Issue of equity	649,120	924,480	-	-	-	-	1,573,600	-	1,573,600
Share issue costs	-	(125,972)	-	-	-	-	(125,972)	-	(125,972)
Share-based payments	-	(149,735)	-	-	207,193	-	57,458	-	57,458
Share buy-back	(2,003,010)	-	2,003,010	-	-	-	-	-	-
Balance at 31 December 2018	**44,352**	**3,460,309**	**2,003,010**	**(6,177)**	**333,837**	**(4,609,485)**	**1,225,846**	**(1,599,785)**	**(373,939)**
Balance at 1 January 2019	44,352	3,460,309	2,003,010	(6,177)	333,837	(4,609,485)	1,225,846	(1,599,785)	(373,939)
Changes in equity									
Loss for the year	-	-	-	-	-	(510,722)	(510,722)	(173,522)	(684,244)
Foreign exchange movement	-	-	-	23,900	-	-	23,900	8,397	32,297
Total comprehensive income	-	-	-	23,900	-	(510,722)	(486,822)	(165,125)	(651,947)
Issue of equity	118,548	1,450,452	-	-	-	-	1,569,000	-	1,569,000
Share issue expenses	-	(113,214)	-	-	-	-	(113,214)	-	(113,214)

Share-based payments	-	(649,567)	-	-	763,914	-	114,347	-	114,347
Balance at 31 December 2019	**162,900**	**4,147,980**	**2,003,010**	**17,723**	**1,097,751**	**(5,120,207)**	**2,309,157**	**(1,764,910)**	**544,247**

Consolidated Statement of Changes in Equity – Company

Figures in £	Share capital	Share premium	Capital redemption reserve	Share-based payment reserve	Accumulated loss	Total
Balance at 1 January 2018	1,398,242	2,811,536	-	126,644	305,886	4,642,308
Changes in equity						
Loss for the year	-	-	-	-	(368,480)	(368,480)
Total comprehensive income	-	-	-	-	(368,480)	(368,480)
Issue of equity	649,120	924,480	-	-	-	1,573,600
Share issue expenses	-	(125,972)	-	-	-	(125,972)
Share buy-back	(2,003,010)	-	2,003,010	-	-	-
Share-based payments	-	(149,735)	-	207,193	-	57,458
Balance at 31 December 2018	**44,352**	**3,460,309**	**2,003,010**	**333,837**	**(62,594)**	**5,778,914**
Balance at 1 January 2019	**44,352**	**3,460,309**	**2,003,010**	**333,837**	**(62,594)**	**5,778,914**
Changes in equity						
Loss for the year	-	-	-	-	(16,850)	(16,850)
Total comprehensive income	-	-	-	-	(16,850)	(16,850)

Issue of share capital	118,548	1,450,452	-	-	-	1,569,000
Share issue expenses	-	(113,214)	-	-	-	(113,214)
Share-based payments	-	(649,567)	-	763,914	-	114,347
Balance at 31 December 2019	**162,900**	**4,147,980**	**2,003,010**	**1,097,751**	**(79,444)**	**7,332,197**

Consolidated and Company Statement of Cash Flows

Figures in £	Group 2019	Group 2018	Company 2019	Company 2018
Cash flows used in operations				
Cash used in operations	(362,022)	(1,363,407)	(488,330)	(492,472)
Net cash flows used in operations	**(362,022)**	**(1,363,407)**	**(488,330)**	**(492,472)**
Income taxes paid	-	(17,772)	-	(17,772)
Net cash flows used in operating activities	**(362,022)**	**(1,381,179)**	**(488,330)**	**(510,244)**
Cash flows used in investing activities				
Purchase of property, plant and equipment	(569,367)	(109,710)	-	-
Increase in loan advanced to group company	-	-	(715,868)	(923,172)
Movement in rehabilitation guarantee	(286,984)	60,647	-	-
Cash flows used in investing activities	**(856,351)**	**(49,063)**	**(715,868)**	**(923,172)**
Cash flows from financing activities				
Proceeds from issuing shares (net of fees: £108,214 (2018: £125,972))	1,448,786	1,447,628	1,448,786	1,447,628
Proceeds from borrowings	-	231,400	-	231,400
Repayments of borrowings	(142,262)	(134,449)	(142,262)	(125,906)
Repayments of lease liabilities	(63,545)	-	-	-
Increase in restricted cash	(13,786)	(210,128)	(13,786)	(210,128)
Cash flows from financing activities	**1,229,193**	**1,334,451**	**1,292,738**	**1,342,994**
Net increase / (decrease) in cash and cash equivalents	**10,820**	**(95,791)**	**88,540**	**(90,422)**
Exchange rate changes on cash and cash equivalents	(13,066)	(4,156)	-	-
Net (decrease) / increase in cash and cash equivalents	**(2,246)**	**(99,947)**	**88,540**	**(90,422)**
Cash and cash equivalents at beginning of year	168,181	268,128	65,608	156,030
Cash and cash equivalents at end of year	**165,935**	**168,181**	**154,148**	**65,608**

Notes to the Consolidated Statements of Financial Accounts

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 2019, but is derived from the Group's audited financial statements. The auditors have reported on the 2019 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 2019 Annual Report was approved by the Board of Directors on 19 June 2020 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 2019 Annual Report, have been prepared in accordance with International Financial Reporting standards ('IFRS') and IFRS Interpretations Committee ('IFRSIC') interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS. 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 International Financial Reporting Standards 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in note 3.

Going concern

The Group has prepared forecasts covering the period to 31 December 2021. Appropriate diligence has been applied by the directors who believe that the forecasts are prepared on a realistic basis using the best available information. The Group had cash balances of £799,000, a further £274,000 due from Teichmann (in accordance with the terms of their share subscription) and approximately 800 carats of diamonds held in concentrate form and no bank debt at 16 June 2020.

Post year end COVID-19 has impacted the Group in two main ways. Firstly, the Group ceased operation on 26 March 2020 following the imposition of a lock down by the South African Government. The restrictions were relaxed on 23 April 2020 and after a period of preparation, operations recommenced on 11 May 2020. Whilst preparing for restarting preparations the Group also put in place a new

marketing channel via Bonas in Antwerp and a non-binding finance arrangement with Delgatto Diamond Finance Fund LP.

In making its going concern assessment, the Board has considered the higher level of uncertainty resulting from the impact of the COVID-19 pandemic in all aspects of its forecasting but particularly in relation to production, the market value of its diamonds and the timing of their sale. The board has implemented measures to a) ensure that unit costs of production are aligned with the likely weakening in pricing; b) ensure that operations comply with the regulations issued by the South African Government in respect of COVID-19; and c) has entered into a non-binding agreement with Delgatto Diamond Finance Fund LP ("DDFF") in order to provide bridging finance at 70% of market value between production and eventual sale at a time when it is reasonable to expect that diamond prices will have returned to a pre pandemic levels. It is the board's assessment that these measures will allow the company to operate using its own cash resources. Nevertheless, given the current uncertainty created by the COVID-19 pandemic, there are certain circumstances that could give rise to the Company needing to raise further finance from the equity market. These circumstances include changes in South African regulations relating to Coronavirus which require mining operations to be temporarily suspended or otherwise impact production, future diamond prices/valuations being below the cost of running the Kareevlei operations or DDFF opting not to provide finance as outlined in their letter of intent.

After review of these uncertainties the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the Directors note that a) the mine has resumed production b), recently completed a sale of a diamond parcel for USD700,000 at a price of USD290 per carat, a price at which the Group can operate cash flow positively, and c) the Directors anticipate DDFF providing bridge funding notwithstanding the non-binding nature of the arrangement. 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, the potential future impact of COVID-19 outlined above and the resulting need to raise additional funds should such adverse scenarios materialise, indicate the existence of a material uncertainty which may cast significant doubt about the Group'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 was unable to continue as a going concern.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Disposal of subsidiaries

When the group ceases to have control of a subsidiary any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2 Foreign currency

Functional and presentation currencies

The consolidated and separate financial statements have been presented in British Pound Sterling (Pounds), which is also the functional currency of the company. The functional currency of the South African subsidiaries is the South African Rand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group companies

The results and financial position of all the group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each reporting date.

2.3 Property, plant and equipment

Recognition

Property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item

is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent measurement - Cost model

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Stripping costs

Costs associated with removal of waste overburden are classified as stripping costs.

Stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if:

a) future economic benefits (being improved access to the orebody) are probable;
b) the component of the orebody for which access will be improved can be accurately identified; and
c) the costs associated with the improved access can be reliably measured.

If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. The stripping activity

asset is subsequently amortised over the expected useful life of the identified component of the orebody that became more accessible as a result of the stripping activity.

The expected average stripping ratio over the average life of the area being mined is used to amortise the stripping activity. As a result, the stripping activity asset is carried at cost less amortisation and any impairment losses.

The average life of area cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The average life of area stripping ratio and the average life of area cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the stripping ratio are accounted for prospectively as a change in estimate.

Depreciation

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless the asset enhances another asset under construction whereby it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class	**Measurement base**	**Method**
Mine infrastructure	Cost	Units of production
Leasehold improvements	Cost	Term of lease
Plant and Machinery	Cost	3-5 years straight line basis
Motor vehicles	Cost	5 years straight line basis

Units of production method

When a units-of-production basis is used, applicable to deferred stripping, mining rehabilitation assets and mining rights, the relevant assets are depreciated at a rate determined as the tonnes of ore mined (typically production facility assets) from the relevant orebody section, divided by the Group's estimate of ore tonnes held in reserves and resources which have sufficient geological and geophysical certainty and are economically viable. The relevant reserves and resources are matched to the existing assets which will be utilised for their extraction. The assets depreciated in the units-of-production method are existing assets. Future capital expenditure is only subject to depreciation over remaining resources once incurred. The Group depreciates its assets according to the relevant sections of the orebody over which they will be utilised.

Impairments

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. This includes mining assets, property, plant and equipment. A review involves determining whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs of disposal and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken on a cash generating unit basis.

If the carrying amount of an asset exceeds its recoverable amount an asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use) if that is less than the asset's carrying amount. Any change in carrying value is recognised in the comprehensive income statement.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Gains are classified as other gains on the face of the consolidated statement of profit or loss and other comprehensive income.

2.4 Mining rights

Mining rights are recognised at cost, including any directly attributable transaction costs. The amortisation charge for each period is recognised on a 'units of production' method.

2.5 Mining rehabilitation asset

The estimated cost of environmental rehabilitation is based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment.

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVPL") depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

Other receivables

Other receivables are accounted for at amortised cost and are stated at their nominal value as reduced by appropriate expected credit loss allowances.

Trade and other receivables

Trade receivables are initially recorded at fair value and subsequently carried at amortised cost. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate expected credit loss allowances for estimated recoverable amounts as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently carried at amortised cost.

Included under trade and other payables are income in advance. Income received in advance refers to advances received at year end in respect of future diamond sales. On tender award, revenue for the sale of diamonds are recorded and the liability extinguished.

Borrowings excluding convertible loans

Borrowings are included as financial liabilities on the group balance sheet at the amounts drawn on the particular facilities net of the unamortised cost of financing. Interest payable on those facilities is expensed as finance cost in the period to which it relates.

Derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Convertible loan notes

The convertible loan notes are accounted for under the guidance of IAS 32, Financial Instruments: Presentation. These can either be treated as compound instruments or stand-alone instruments with an embedded derivative relating to the conversion feature. When the instrument is treated as a compound instrument the fair value of the liability portion of the convertible loan notes is determined using a market interest rate on an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds are allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects and is not subsequently re-measured. In cases where the criteria for compound instrument are not met, the host debt contract is valued initially at fair value and the embedded derivative is separately carried at fair value through profit and loss.

2.7 Exploration and evaluation assets

During the exploration phase of operations, all costs are expensed in the consolidated statement of comprehensive income as incurred.

A subsequent decision to develop a mine property within an area of interest is based on the exploration results, an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project are capitalised and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations over the relevant life of mine on a units of production basis. Expenditure is only capitalised provided it meets the following recognition requirements:

- completion of the project is technically feasible and the Group has the ability to and intends to complete it;
- the project is expected to generate future economic benefits;
- there are adequate technical, financial and other resources to complete the project; and
- the expenditure attributable to the development can be measured reliably.

No depreciation is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are capitalised as incurred.

2.8 Inventories

Recognition

Inventories are recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the inventories can be measured reliably.

Measurement

Inventories, which include rough diamonds, are measured at the lower of cost of production or net realisable value using the first-in-first-out formula.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Net realisable value also incorporates costs of processing in the case of the ore stock piles. Changes in net realisable value are recognised in the income statement.

The cost of production includes direct labour, other direct costs and related production overheads. Consumables are stated at the lower of cost on the weighted average basis or estimated replacement value. Work in progress are stated at raw material cost including allocated labour and overhead costs.

2.9 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. The amount already paid in respect of current and prior periods which exceeds the amount due for those periods, is recognised as an asset.

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets are made to reflect the tax consequences that would follow from the manner in which it is expected, at the end of the reporting period, recovery or settlement if temporary differences will occur.

Deferred tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same entity within the group or different taxable entities within the group which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.10 Leases

Identification of a lease

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still or now contains a lease.

The practical expedient allowed by IFRS16 is elected, and therefore the non-lease components are not separated from the lease components. Each lease component and any associated non-lease component is treated as a single lease component.

Refer to note 4 for details of the adoption of IFRS 16 on 1 January 2019.

Lease term

The lease term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease or not exercising of options to terminate the lease is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the group's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

Recognition and measurement

At inception, a right-of-use asset and a lease liability is recognised in the statement of financial position.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The right of use assets are presented separately in the statement of financial position.

The right of use asset is subsequently depreciated using the straight line method from the lease commencement date to the earlier of the useful life of the right of use asset or the end of the lease term. In addition, the group applies IAS 36 Impairment of Assets to determine whether a right of use asset is impaired and accounts for the identified impairment loss as described in the policy for property, plant and equipment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, else it is based on the group's incremental borrowing rate. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if there is reasonably certainty that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.
- Subsequently, the lease liability is measured by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Reassessment of lease liability

Where there are changes in the lease payments, the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. Where the carrying amount of the right of use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the remaining amount of the remeasurement is recognised in profit or loss.

Short-term leases and leases of low-value items

The group has elected not to recognise right of use assets and lease liabilities for short term leases and leases of low value assets. The group recognises the lease payments associated with these leases as an expense in the statement of profit or loss on a straight line basis over the lease term.

Variable lease payments

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in

the period in which the event or condition that triggers those payments occurs and are included in 'Operating expenses' in the statement of profit or loss as shown in note 19 to the financial statements.

2.11 Provisions and contingencies

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent assets and liabilities are not recognised, but details are disclosed in the notes to the annual financial statements.

2.12 Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

2.13 Revenue

Rough diamond sales are made through a competitive tender process and revenue is recognised when the customer has a legally binding obligation to settle under the terms of the contract when the performance obligations have been satisfied, which is once control of the goods has transferred to the buyer which occurs when the tender closes.

Revenue is measured based on consideration specified in the tender award.

Where the Group makes rough diamond sales to customers and retains a vested right in the future sale of a polished diamond, the Group will record such revenue only at the date when the polished diamond is sold (and only its interest therein).

Revenue is shown net of value added tax.

Interest income is recognised using the effective interest method.

2.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment.

2.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- Other reserves – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling, the recognition of share based payment movements and the non-distributable redemption reserve for cancelled deferred shares charge
- Retained earnings includes all current and prior period retained profits.

Non-controlling interest represents current and prior period retained profits and other comprehensive income items attributable to the non-controlling shareholder in subsidiaries

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

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 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 £10,359. Further details can be found in note 16.

3.1.3 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. 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. Given the presence of an inferred resource, rather than a defined reserve, greater estimation is required to determine the resources to be included in the forecasts and only a portion of the inferred resource is currently incorporated into the 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.

The effects of Covid-19 is a post balance sheet non-adjusting event and has therefore not had any influence in the impairment test performed on the Group's non-current assets.

Changes in such estimates could impact recoverable values of these assets. Details of the carrying value of property, plant and equipment and mining assets can be found in note 5 and 7.

The impairment test using the medium-term forecasts indicated significant headroom as at 31 December 2019 and therefore no impairment is considered to be appropriate. However, such headroom, which itself excludes additional resources included in the Resource Statement but which are outside of the medium-term forecasts, is dependent on the achieving increases in short term and medium term production by opening additional pits and upgrading the plant. However, the directors consider the forecasted production levels to be achievable best estimates.

3.1.5 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.

The carrying value of the subsidiary loan is set out in note 10.

3.1.6 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.

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.

No stripping costs were capitalised during the current financial year as the waste stripping ratio was below the estimated average strip ratio for the relevant sections of the ore body based on the existing medium term detailed mine plans, as the primary benefit of the stripping was access to ore mined in the period. Whilst there may be a longer term benefit through access to deeper sections of the ore body the Board concluded that the criteria for recognition under the Group's accounting policy were not met having considered the absence of a defined measured and indicated resource and consideration of the longer term mine planning status. All stripping costs incurred during the period were charged to the statement of profit or loss.

3.1.7 Contingent liabilities

The Group is subject to claims by a former director and companies related to that former director totalling £260,108. Whilst fully disputing the claims, the Group maintains liabilities to the claimants of £198,688 as disclosed in note 15. The Group has placed monies 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.

3.2 Critical judgements in applying the entity's accounting policies

3.2.1 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 is based on the approved Life of Mine (LoM) estimate. As at 1 January 2019 when IFRS16 was adopted by the Group, management estimated the LoM to be 5 years.

A lease term of 5 years was therefore used in determining the carrying value of the right-of-use assets and associated lease liabilities as at 1 January 2019.

Management reassessed the LoM at 31 December 2019 to be 10 years. The lease terms of the surface lease agreements were therefore increased to 10 years to reflect the increase in the LoM. The carrying value of the right-of-use assets and lease liabilities were remeasured at that date and adjusted accordingly.

3.2.2 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. Changes in accounting policies and disclosures 4.1 Adoption of new and revised pronouncements

In the current year, the group has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2019.

At the date of authorisation of these financial statements for the year ended 31 December 2019, the following IFRSs were adopted:

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases along with three interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease) and sets out updated requirements on recognition and measurement of leases.

The group adopted IFRS 16 Leases retrospectively from 1 January 2019 but did not restate comparatives for the 2018 reporting periods as permitted under the modified transition approach in the standard.

Adjustments recognised on adoption of IFRS 16 Leases

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which were previously classified as operating leases under the principles of IAS 17 excluding low value leases or those leases with a remaining lease term of less than 12 months (i.e. short term leases). These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate used to measure the lease liabilities on 1 January 2019 was 10.25%.

Lease liability

The following is a reconciliation of total operating lease commitments at 31 December 2018, to the lease liability recognised on 1 January 2019:

	1 Jan 2019
Operating lease commitments as at 31 December 2018	224,756
Effect of discounting of lease payments	(27,614)
Finance lease liabilities recognised as at 31 December 2018	31,689
Lease liability recognised as at 1 January 2019	**228,831**
Current lease liabilities	184,255
Non-current lease liabilities	44,576
Lease liability recognised as at 1 January 2019	**228,831**

Right-of-use assets

All right-of-use assets were measured at an amount equal to the lease liability.

There were no onerous lease contracts that would require an adjustment to the right of use assets at the date of initial application.

The recognised right of use assets relate to the following types of property, plant and equipment:

	1 Jan 2019
Land and residential buildings	197,142
Motor vehicles	32,907
Lease liability recognised as at 1 January 2019	**230,049**

The impact of the change in the accounting policy on the statement of financial position on 1 January 2019 was as follows:

- increase in right of use assets by £230,049
- increase in lease liabilities by £228,831
- no effect on accumulated losses due to the fact that the carrying value of right-of-use assets equalled the lease liability recognised and the finance leases previously recognised under IAS 17 did not have an effect on accumulated losses. The net effect of finance leases

and leased assets transferred to lease liabilities and right-of-use assets at 1 January 2019 were £1,218.

Practical expedients applied on the adoption of IFRS 16

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases
- the non reassessment of whether an existing lease contract is or contains a lease as defined in IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contracts a Lease

Payments associated with short term leases and leases of low value assets are recognised as an expense in profit or loss. Short term leases are leases shorter than 12 months. Low value assets are assets that are below the group's capitalisation threshold.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation aims to clarify how to apply the recognition and measurement requirements of IAS 12 Income Taxes when there is uncertainty over income tax treatments. IFRIC 23 became effective for periods beginning on or after 1 January 2019.

The application of this standard did not have an impact on the financial statements.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The application of this standard did not have an impact on the financial statements.

4.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

5. Property, plant and equipment

5.1 Balances at year end and movements for the year

	Leasehold improvements	Plant and Machinery	Motor vehicles	Total
Reconciliation for the year ended 31 December 2019 - Group				
Balance at 1 January 2019				
At cost	-	1,304,188	67,503	**1,371,691**
Accumulated depreciation	-	(781,426)	(19,462)	**(800,888)**
Net book value	**-**	**522,762**	**48,041**	**570,803**
Movements for the year ended 31 December 2019				
Additions	5,069	512,185	12,498	**529,752**
Depreciation	-	(279,749)	(6,075)	**(285,824)**
Transfer of right-of-use assets on 1 January 2019 - Cost	-	-	(35,128)	**(35,128)**
Transfer of right-of-use assets on 1 January 2019 - Accumulated depreciation	-	-	2,220	**2,220**
Exchange differences - Cost	(2)	(7,008)	(174)	**(7,184)**
Exchange differences - Accumulated depreciation	-	4,188	93	**4,281**
Property, plant and equipment at end of year	**5,067**	**752,378**	**21,475**	**778,920**
Closing balance at 31 December 2019				
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 2018 - Group				
Balance at 1 January 2018				
At cost	-	1,340,648	35,801	**1,376,449**
Accumulated depreciation	-	(569,914)	(13,424)	**(583,338)**
Net book value	**-**	**770,734**	**22,377**	**793,111**
Movements for the year ended 31 December 2018				
Additions	-	95,482	36,522	**132,004**
Depreciation	-	(276,617)	(7,613)	**(284,230)**
Exchange differences - Cost	-	(131,942)	(4,820)	**(136,762)**
Exchange differences - Accumulated depreciation	-	65,105	1,575	**66,680**
Property, plant and equipment at the end of the year	**-**	**522,762**	**48,041**	**570,803**
Closing balance at 31 December 2018				**1,371,691**

At cost	-	1,304,188	67,503	
Accumulated depreciation	-	(781,426)	(19,462)	**(800,888)**
Net book value	**-**	**522,762**	**48,041**	**570,803**

5.2 Additional disclosures

Assets whose title is restricted and pledged as security	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
The carrying values of assets pledged as security is as follows:				
Plant and Machinery	102,242	143,428	-	-

Plant and equipment 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, see note 16 for further detail.

Leased assets - 2018

As at 31 December 2018, motor vehicles included the following amounts where the group was a lessee under finance leases:

Motor vehicles	-	32,907	-	-

From 2019 leased assets are presented as a separate line item in the statement of financial position, see note 6.
Refer to note 4 for details about the changes in accounting policy.

6. Leases

This note provides information for leases where the group is a lessee.

6.1 Amounts recognised in the statement of financial position – Group

Right-of-use assets	**Land and buildings**	**Motor vehicles**	**Total**
At 1 January 2019 on adoption of IFRS16	197,142	32,907	230,049
Additions	20,151	-	20,151
Decrease through net exchange differences	(1,127)	(170)	(1,297)
Depreciation	(51,229)	(2,651)	(53,880)
Effect of modification in lease terms	260,358	-	260,358
At 31 December 2019	**425,295**	**30,086**	**455,381**
Closing balance at end of year			
At cost	476,501	34,945	511,446

Accumulated depreciation	(51,206)	(4,859)	(56,065)
At 31 December 2019	**425,295**	**30,086**	**455,381**

Lease liabilities

At 1 January 2019 on adoption of IFRS16	197,142	31,689	228,831
Additions	20,151	-	20,151
Finance costs	19,446	3,759	23,205
Effect of modification in lease terms	260,358	-	260,358
Lease payments	(55,178)	(8,367)	(63,545)
Decrease through net exchange differences	(1,134)	(163)	(1,297)
At 31 December 2019	**440,785**	**26,918**	**467,703**

Lease liabilities

Current	7,966	5,229	13,195
Non-current	432,819	21,689	454,508
At 31 December 2019	**440,785**	**26,918**	**467,703**

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 4.

6.2 Amounts recognised in the statement of profit or loss - Group

	Group 2019	**Group 2018**
Depreciation on right-of-use assets	53,880	-
Interest expense relating to lease liabilities	23,205	-
Short term lease expenses	210,596	-
Operating leases under IAS 17 Leases	-	189,574

All amounts are included in operating expenses.

All amounts are included in operating expenses.

6.3 Amounts recognised in the statement of cash flows

	Group 2019	**Group 2018**
Total cash outflow for leases	63,545	-

6.4 Other information related to leases

The group's leases consist mainly of leasing of buildings, land and motor vehicles. With the exception of leases of low value underlying assets and short-term leases, each lease is reflected on the statement of financial position as a right of use asset and a lease liability. Lease payments are fixed. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and the related right of use asset. The group classifies and depreciates its right of use assets in a consistent manner to its property, plant and equipment.

7. Mining assets

Reconciliation of changes in mining assets

	Mining assets	Total
Reconciliation for the year ended 31 December 2019 - Group		
Balance at 1 January 2019		
At cost	**384,380**	**384,380**
Accumulated amortisation	**(81,003)**	**(81,003)**
Net book value	**303,377**	**303,377**
Movements for the year ended 31 December 2019	**Mining assets**	**Total**
Additions	**136,537**	**136,537**
Amortisation	**(32,223)**	**(32,223)**
Exchange differences - Cost	**(2,059)**	**(2,059)**
Exchange differences - Accumulated amortisation	**436**	**436**
Mining assets at end of period	**406,068**	**406,068**
Closing balance at 31 December 2019		
At cost	**518,858**	**518,858**
Accumulated amortisation	**(112,790)**	**(112,790)**
Net book value	**406,068**	**406,068**

Reconciliation for the year ended 31 December 2018 - Group	**Mining assets**	**Total**
Balance at 1 January 2018		
At cost	**334,004**	**334,004**
Accumulated amortisation	**(61,876)**	**(61,876)**
Net book value	**272,128**	**272,128**
Movements for the year ended 31 December 2018		
Additions	**85,609**	**85,609**
Amortisation	**(26,042)**	**(26,042)**
Exchange differences - Cost	**(35,233)**	**(35,233)**
Exchange differences - Accumulated amortisation	**6,915**	**6,915**
Mining assets at end of period	**303,377**	**303,377**

Closing balance at 31 December 2018	**Mining assets**	**Total**
At cost	**384,380**	**384,380**
Accumulated amortisation	**(81,003)**	**(81,003)**
Net book value	**303,377**	**303,377**

For further details on the mining rehabilitation provision see note 14.

8. Investments in subsidiaries

8.1 The amounts included on the company statement of financial position comprise the following:

	Company 2019	**Company 2018**
Investments in subsidiaries	**5**	**5**
Investments in subsidiaries	**5**	**5**

8.2 Investment in subsidiaries

8.2.1 Details of the group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	**Principal activity**	**Place of incorporation and business**
Kareevlei Mining Proprietory Limited	Diamond Mining	South Africa
Diamond Resources Proprietory Limited	Diamond Mining	South Africa

8.2.2 Voting rights:

	Interest 2019	Carrying value **2019**	**Interest 2018**	**Carrying value 2018**
Kareevlei Mining Proprietory Limited	74.00%	5	74.00%	**5**
Diamond Resources Proprietory Limited	100.00%	-	100.00%	-

8.2.3 Summary of Group's interest in subsidiaries

	Kareevlei Mining Proprietory Limited	**Diamond Resources Proprietory Limited**
At 31 December 2019		
Total assets	2,853,970	-
Total liabilities	(9,641,908)	-
Retained losses	(6,120,545)	-
Revenue	4,064,853	-
Loss after tax	(667,393)	-

At 31 December 2018

Total assets	1,245,107	-
Total liabilities	(7,397,955)	-
Retained losses	(4,079,384)	-
Revenue	1,425,653	-
Loss after tax	(2,073,464)	-

8.2.4 Details of minority

BlueRock's subsidiary, Kareevlei Mining Proprietary Limited, is 26 per cent owned by Ghaap Mining Proprietary Limited, a Kimberley based company. Ghaap Mining Proprietary Limited is a South African private company wholly owned by Mr. William Alexander van Wyk who, in terms of South African legislation is considered to qualify as an Historically Disadvantaged South African ("HDSAs").

On 27 September 2018 the Broad-Based Socio-Economic Empowerment Charter for the South African mining and minerals industry, 2018, (the '2018 Charter') was announced and gazetted in South Africa. This Charter replaced the previous 2017 Charter. The 2018 Charter aims to drive transformation, while taking into account the realities facing the industry.

The implementation of the 2018 Charter requires the Group to implement certain changes to maintain compliance, primarily in respect of: (i) the increased mandatory Black Economic Empowerment shareholding increasing from 26% to 30%. This increase only becomes mandatory on the renewal of existing mining rights and with the application for new mining rights; (ii) in the required make-up of management demographics; and (iii) in human resources development. This will be implemented at the time our licence is renewed or earlier.

9. Inventories

9.1 Inventories comprise:	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Consumable stores	15,167	-	-	-
Work in progress	294,880	-	-	-
Diamonds on hand	527,300	191,406	-	7,352
	837,347	**191,406**	**-**	**7,352**

10. Trade and other receivables

10.1 Trade and other receivables comprise:	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Current				

Trade receivables	-	443	-	443
Other receivables	1,384	10,203	497,640	453,865
Prepaid expenses	4,830	4,136	2,816	1,948
Value added tax	50,489	57,082	32,694	32,429
Amounts due by subsidiary	-	-	7,555,575	6,188,952
Total current receivables	**56,703**	**71,864**	**8,088,725**	**6,677,637**
Non-Current				
Other receivables	344,442	57,458	-	-
Total non-current receivables	**344,442**	**57,458**	**-**	**-**

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

Refer to note 29.3 for the group's expected credit loss provision assessment for receivables.

Company:

Included under other receivables are management fees receivable from Kareevlei Mining (Pty) Ltd of £496 474 (2018: £443 662)

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 and is repayable on demand.

Group:

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.

10.2 Items included in trade and other receivables not classified as financial instruments	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Prepaid expenses	4,830	4,136	2,816	1,948
Value added tax	50,489	57,082	32,694	32,429
Total non-financial instruments included in trade and other receivables	55,319	61,218	35,510	34,377
Total trade and other receivables excluding non-financial assets included in trade and other receivables	1,384	10,646	8,053,215	6,643,260
Total trade and other receivables	**56,703**	**71,864**	**8,088,725**	**6,677,637**

10.3 Analysis of trade receivables

90 to 120 days	-	443	-	443
	-	**443**	**-**	**443**

11. Cash and cash equivalents (including restricted cash)

11.1 Cash and cash equivalents comprise:	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Cash				
Cash on hand	471	99	-	-
Balances with banks	389,378	378,210	378,062	275,736
Total cash	**389,849**	**378,309**	**378,062**	**275,736**
Total cash and cash equivalents included in current assets	**389,849**	**378,309**	**378,062**	**275,736**

Cash and cash equivalents in the Consolidated Statement of Cash flows excludes restricted cash of £223,914 (2018: £210,128).

11.2 Cash and cash equivalents where availability is restricted

Bank balances to the value of £223,914 (2018: £210,128) 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. Refer to note 25 for further details.

12. Share capital

Authorised and issued share capital	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Issued				
3,258,004 (2018: 443,524,243) Ordinary shares of 5p (2018: 0.01p) each	162,900	44,352	162,900	44,352
Share premium	4,147,980	3,460,309	4,147,980	3,460,309
	4,310,880	**3,504,661**	**4,310,880**	**3,504,661**

Share reconciliation

Details of issue	**Date**	**Number of ordinary shares**	**Share capital**	**Share premium**
Opening balance	01/01/2019		£	£

		443,524,243	44,352	3,460,309
Placing and equity issue	11/02/2019	191,666,667	19,167	555,833
Placing and equity issue expenses	11/02/2019	-	-	(36,902)
Fair value of warrants - share issue costs	11/02/2019	-	-	(192,386)
Placing and equity issue	16/05/2019	982,000,000	98,200	883,800
Issue of shares as repayment of director loan	16/05/2019	6,811,000	681	6,319
Placing and equity issue for advisory fees	16/05/2019	5,000,000	500	4,500
Placing and equity issue expenses	16/05/2019	-	-	(76,313)
Fair value of warrants - share issue costs	16/05/2019			(457,180)
Share consolidation	25/07/2019	(1,625,743,906)	-	-
Shares outstanding - closing		**3,258,004**	**162,900**	**4,147,980**

On 25 July 2019 a share consolidation was approved whereby every 500 ordinary shares of 0.01 pence were consolidated into 1 ordinary share of 5 pence each. The number of ordinary shares in issue were adjusted accordingly at that date.

Details of warrants issued

The number of shares and price per share were adjusted for the share consolidation that was effected on 25 July 2019 at a ratio of 500:1.

On 11 February 2019 1 warrant was issued for each ordinary share issued on that date. A total of 383,333 warrants were issued and exercisable at 200p for a period of 2 years.

On 16 May 2019 1 warrant was issued for each ordinary share issued on that date. A total of 1,974,000 warrants were issued and exercisable at 100p for a period of 2 years.

Refer to note 27.4 for details of warrants issued to directors as part of the share placements on the above dates.

Warrants are valued at the date of grant using the Black-Scholes option pricing model.

The fair value per warrant issue during the period and the assumptions used in the calculation are shown below:

Date of issue:	**11/02/2019**	**16/05/2019**
Number of warrants issued	383,333	1,974,000
Average grant date share price (p)	155	67.50
Average exercise price (p)	200.00	100.00
Share price volatility (p.a)	73.16%	85.71%
Risk-free interest rate (p.a)	0.72%	0.73%
Dividend yield (p.a)	0	0
Average contractual life (years)	2	2

Average fair value per option (p)	50.19	23.89

13. Other Reserves

13.1 Analysis of other reserves

	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Group				
Movement:				
Balance 1 January 2019	2,003,010	(6,177)	333,837	2,330,670
Other comprehensive expense	-	32,297	-	32,297
Non-controlling interests	-	(8,397)	-	(8,397)
Share-based payments	-	-	763,914	763,914
Balance 31 December 2019	**2,003,010**	**17,723**	**1,097,751**	**3,118,484**

	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Movement:				
Balance 1 January 2018	-	(390,441)	126,644	(263,797)
Other comprehensive expense	-	519,276	-	519,276
Non-controlling interests	-	(135,012)		(135,012)
Share-based payments	-	-	207,193	207,193
Share buyback	2,003,010	-	-	2,003,010
Balance 31 December 2018	**2,003,010**	**(6,177)**	**333,837**	**2,330,670**

	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Company				
Movement:				
Balance 1 January 2019	2,003,010	-	333,837	2,336,847
Share-based payments	-	-	763,914	763,914
Balance 31 December 2019	**2,003,010**	**-**	**1,097,751**	**3,100,761**

Movement:	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Balance 1 January 2018	-	-	126,644	126,644
Share-based payments	-	-	207,193	207,193
Share buyback	2,003,010	-	-	2,003,010
Balance 31 December 2018	**2,003,010**	**-**	**333,837**	**2,336,847**

13.2 Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign entities. The South African subsidiaries' functional currencies are different to the Group's functional currency of British Pound Sterling. The rates used to convert the operating functional currency into British Pound Sterling are as follows:

	Currency	2019	2018
Average rate	ZAR to GBP	18.43	17.64
Year end	ZAR to GBP	18.44	18.34

Share-based payment reserve

For details on the share-based payment equity reserve, refer to note 23.

Capital redemption reserve

During 2018 the nominal value of ordinary shares was split into 0.01p nominal share capital and 0.99p deferred shares. These were in turn purchased by the company using the proceeds from the issue of one additional ordinary share and immediately cancelled. As such these are held within the capital redemption reserve.

14. Provisions

14.1 Provisions comprise:

	Group 2019	Group 2018	Company 2019	Company 2018
Rehabilitation cost provision	302,989	204,840	-	-

14.2 Reconciliation of provisions

	Provision for rehabilitation
Balance at 1 January 2019 - Group	**204,840**
Change in estimate	96,922
Unwinding of discount rate	2,337
Exchange differences	(1,110)
Total changes	98,149
Balance at 31 December 2019	**302,989**
Balance at 1 January 2018 - Group	**148,282**
Change in estimate	68,656
Unwinding of discount rate	2,175
Exchange differences	(14,273)

Total changes	56,558
Balance as at 31 December 2018	**204,840**

14.3 Details of provisions

Provision for rehabilitation

The provision for environmental rehabilitation closure cost was independently assessed by Ndi Mudau of NDI Geological Consulting Services. The closure cost assessment reports over the Remainder of the Farm No. 113 (Skietfontein), Portion of Portion 2 (Kareeboompan) of the Farm 142, Portion 1 (Westhoek) of the Farm 113, and Portion 2 (Klipvlei) of the Farm 113. The financial provision was calculated in accordance with Regulation 54 of the Minerals and Petroleum Resources Development Act 2002 (Act 28 of 2002) during March 2020.

In determining the amounts attributable to the rehabilitation provision at the Kareevlei mining area, management used a discount rate of 10% (31 December 2018: 10.25%), estimated rehabilitation timing of 10 years (31 December 2018: 5 years) and an inflation rate of 4.9% (31 December 2018: 5.3%).

15. Trade and other payables

15.1 Trade and other payables comprise:	Group 2019	Group 2018	Company 2019	Company 2018
Trade payables	737,541	453,234	28,007	27,434
Accrued liabilities	119,447	37,777	33,400	31,300
Account due to former Director	23,596	23,720	-	-
Income received in advance	-	72,814	-	-
Total trade and other payables	**880,584**	**587,545**	**61,407**	**58,734**

An amount of £175,092 (2018: £176,008) 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 £23,596 (2018: £23,720) relates to amounts claimed but disputed in full by the Company.

Income received in advance refers to advances received at year end in respect of future diamond sales. On tender award, revenue for the sale of diamonds was recorded and the liability extinguished.

15.2 Items included in trade and other payables not classified as financial liabilities

Income received in advance	-	72,814	-	-
Total non-financial liabilities included in trade				

and other payables	-	72,814	-	-
Total trade and other payables excluding non-financial liabilities included in trade and other payables	880,584	514,731	61,407	58,734
Total trade and other payables	**880,584**	**587,545**	**61,407**	**58,734**

16. Borrowings

16.1 Carrying amount of borrowings by category

	Designated at fair value	At amortised cost	Total
Year ended 31 December 2019 - Group			
Convertible loans (i)	-	776,704	**776,704**
Loan facilities (ii)	-	286,125	**286,125**
Embedded derivative (i)	10,359	-	**10,359**
Components listed under borrowings on the consolidated and company statements of financial position	**10,359**	**1,062,829**	**1,073,188**
Trade and other payables excluding non-financial liabilities (Note 15)	-	880,584	**880,584**
Components listed separately on the consolidated and company statements of financial position	**-**	**880,584**	**880,584**
	10,359	**1,943,413**	**1,953,772**
Borrowings comprise the following on the consolidated and company statements of financial position:			
Current portion	-	156,698	**156,698**
Non-current portion	10,359	906,131	**916,490**
	10,359	**1,062,829**	**1,073,188**
Year ended 31 December 2018 - Group			
Convertible loans (i)	-	706,094	**706,094**
Loan facilities (ii)	-	404,525	**404,525**
Embedded derivative (i)	12,463	-	**12,463**
Finance lease obligation (iii)	-	31,689	**31,689**
Components listed under borrowings on the consolidated and company statements of financial position	**12,463**	**1,142,308**	**1,154,771**
Trade and other payables excluding non-financial liabilities (Note 15)	-	514,731	**514,731**
Components listed separately on the consolidated and company statements of financial position	**-**	**514,731**	**514,731**

	Designated at fair value	At amortised cost	Total
	12,463	**1,657,039**	**1,669,502**

Borrowings comprise the following on the consolidated and company statements of financial position:	**Designated at fair value**	**At amortised cost**	**Total**
Current portion	-	50,877	**50,877**
Non-current portion	12,463	1,091,431	**1,103,894**
	12,463	**1,142,308**	**1,154,771**

	Designated at fair value	**At amortised cost**	**Total**
Year ended 31 December 2019 - Company			
Convertible loans (i)	-	776,704	**776,704**
Loan facilities (ii)	-	286,125	**286,125**
Embedded derivative (i)	10,359	-	**10,359**
Components listed under other financial liabilities on the consolidated and company statements of financial position	**10,359**	**1,062,829**	**1,073,188**
Trade and other payables excluding non-financial liabilities (Note 15)	-	61,412	**61,412**
Components listed separately on the consolidated and company statements of financial position	**-**	**61,412**	**61,412**
	10,359	**1,124,241**	**1,134,600**
Other financial liabilities comprise the following on the consolidated and company statements of financial position:			
Current portion	-	156,698	**156,698**
Non-current portion	10,359	906,131	**916,490**
	10,359	**1,062,829**	**1,073,188**

Year ended 31 December 2018 - Company	**Designated at fair value**	**At amortised cost**	**Total**
Convertible loans (i)	-	706,094	**706,094**
Loans facilities (ii)	-	404,525	**404,525**
Embedded derivative (i)	12,463	-	**12,463**
Components listed under other financial liabilities on the consolidated and company statements of financial position	**12,463**	**1,110,619**	**1,123,082**
Trade and other payables excluding non-financial liabilities			**58,734**

(Note 15)	-	58,734	
Components listed separately on the consolidated and company statements of financial position	**-**	**58,734**	**58,734**
	12,463	**1,169,353**	**1,181,816**
Other financial liabilities comprise the following on the consolidated and company statements of financial position:			
Current portion	-	46,247	**46,247**
Non-current portion	12,463	1,064,372	**1,076,835**
	12,463	**1,110,619**	**1,123,082**

i) Convertible loans and embedded derivative

The movement on each convertible loan liability component can be summarised as follows:

	Embedded derivative	Convertible loans	Total
Balance 1 January 2018	113,333	641,903	**755,236**
Finance charge: unwinding of discount factor	-	64,191	**64,191**
Fair value adjustment to embedded derivative	(100,870)	-	**(100,870)**
Balance 31 December 2018	**12,463**	**706,094**	**718,557**
Finance charge: unwinding of discount factor	-	70,610	**70,610**
Fair value adjustment to embedded derivative	(2,104)	-	**(2,104)**
Balance 31 December 2019	**10,359**	**776,704**	**787,063**

At 31 December 2019 the Group had in issue convertible loan stocks of £925,000 which has a term until 16 October 2021.

The terms of the convertible loan note provide a mechanism for weighted conversion price revisions should additional funds be raised below the prevailing conversion price. Following the fund raising in February 2020, the current conversion price is 166p

This option to convert the loan into shares has been treated as a separate financial instrument, as an embedded derivative. This is due to a clause in the updated convertible loan note agreement which will require the Company to issue a variable number of shares if future fundraising over life of the convertible loan note raises additional funds at a price per Ordinary share of less than 5p. This requires a separate valuation as it does not relate to the host contract.

In addition if the Company sells its interest in Kareevlei Mining Proprietary Limited ("subsidiary") before the final repayment date for consideration equivalent to or greater than 120% of the loan note

outstanding then the notes will become redeemable and a 20% premium will be payable to the note holder.

Management have carried out an assessment of the terms of the convertible loan and have judged that the instrument consists of two components:

- a loan instrument; held at amortised cost
- an embedded derivative representing the conversion option as the option fails the fixed for fixed criteria and the embedded redemption feature. The embedded derivative should be recognised separately as a derivative financial instrument at fair value through profit and loss

A fair value exercise to determine the value of the two components was undertaken by the Directors at the date the convertible loan was initially drawn down. The fair value of the host loan instrument (including the embedded redemption feature) has been valued as the residual of:

- The fair value of the first draw down on 16 October 2014 was discounted at a commercially applicable rate of 9.25%. The fair values of the draw downs on 27 May 2016 and 2 October 2016 have been discounted at a commercially applicable rate of 10.5%.

Refer to note 30 for details of the fair value of the embedded derivative.

ii) Loan facilities

Loan facilities comprise the following:	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Loan: M Poole	116,998	165,466	116,998	165,466
Loan: A Waugh	169,127	191,297	169,127	191,297
Loan: P Beck	-	47,762	-	47,762
	286,125	**404,525**	**286,125**	**404,525**

M Poole

In 2017 the Company entered into a loan facility agreement with Mark Poole. A 90 day interest free period was included in the agreement from the date of the first draw down. After this point interest accrues on the capital balance at a rate of 10% per annum, which is payable quarterly in arrears. All capital to be repaid within 5 years from the date of the draw down on the facility.

Additionally a security over the property, plant and equipment of Kareevlei Mining (Pty) Limited is held, see note 5 for further detail.

During the period ended 31 December 2019 an interest charge of £10,701 (2018: £17,404) was recognised on the total capital drawn down. Outstanding at the period ended 31 December 2019 was £116,103 capital and £1,396 interest.

A Waugh and P Beck

BlueRock Diamonds Plc and its subsidiary Kareevlei Mining Proprietory Limited entered into a loan agreement with Adam Waugh (Former Non-Executive Director) and Paul Beck (Former Chairman) on 17 August 2018. The loan was fully drawn down on 17 August 2018. The Loan will only be available to satisfy any final determination of any further claim that Mr CB Visser brings. Refer to note 15 and 27 for further details of the claims instituted by Mr Visser.

The principal amount of the loan is £231,400 comprising £50,000 from Paul Beck and £181,400 from Adam Waugh.

The key provisions of the loan are as follows:

- a term of up to three years, but pre-payable in full or in part at any time at the option of the Company;
- an arrangement fee of 5 percent of the loan principal;
- interest payable of 11 percent per annum on the loan principal payable quarterly, 6 percent payable in cash and the remaining 5 percent payable by a combination of cash and shares (at the Company's sole discretion);
- a repayment premium at an amount equal to 2 percent of the loan principal per month that the loan is outstanding, payable on repayment of the loan in full or in part to be satisfied half in cash and half in shares, at the mid-market price at the time of the relevant repayment, or cash (at the Company's sole discretion);
- and that in the event that the Company raises further funds, preference is given to repaying the loan. It will be the Board's intention to repay the Loan as soon as practicable

On 16 May 2019 it was further agreed with Adam Waugh to repay his loan in £30,000 quarterly instalments in arrears commencing on 31 August 2019.

Paul Beck's loan was paid in full during the year.

iii) Finance lease - 2018

During 2018 the Group leased motor vehicles from William van Wyk over a term of 72 months at a rate of 12.5% per annum with the final repayment during February 2024. Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See note 4 for further information about the change in accounting policy for leases.

16.2 Financial liability maturity analysis

Between 3 months

	and 1 year	Between 2 and 5 years	Over 5 years	Total
Year ended 31 December 2019 - Group				
Trade and other payables excluding non-financial liabilities (Note 15)	880,584	-	-	**880,584**
Convertible loan	-	776,704	-	**776,704**
Loan facilities	156,698	129,427	-	**286,125**
Embedded derivative	-	10,359	-	**10,359**
Lease liabilities	13,195	110,607	343,901	**467,703**
	1,050,477	**1,027,097**	**343,901**	**2,421,475**
Year ended 31 December 2018 - Group				
Trade and other payables excluding non-financial liabilities (Note 15)	514,731	-	-	**514,731**
Convertible loan	-	706,094	-	**706,094**
Loan facilities	46,247	358,278	-	**404,525**
Embedded Derivative	-	12,463	-	**12,463**
Finance lease obligation	4,630	27,059	-	**31,689**
	565,608	**1,103,894**	**-**	**1,669,502**
Year ended 31 December 2019 - Company				
Trade and other payables excluding non-financial liabilities (Note 15)	61,407	-	-	**61,407**
Convertible loan	-	776,704	-	**776,704**
Loan facilities	156,698	129,427	-	**286,125**
Embedded Derivative	-	10,359	-	**10,359**
	218,105	**916,490**	**-**	**1,134,595**
Year ended 31 December 2018 - Company				
Trade and other payables excluding non-financial liabilities (Note 15)	58,734	-	-	**58,734**
Convertible loan	-	706,094	-	**706,094**
Loan facilities	46,247	358,278	-	**404,525**
Derivatives	-	12,463	-	**12,463**
	104,981	**1,076,835**	**-**	**1,181,816**

17. Revenue from contracts with customers

17.1 Revenue comprises:	**Group 2019**	**Group 2018**
Sale of diamonds	4,073,853	1,416,699

The revenue from the sale of rough diamonds is recognised at the point in time at which control transfers.

17.2 Segmental reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group's operations relate to the exploration for, and development of mineral deposits in the Kimberley region of South Africa and as such the Group has only one reportable segment. The non-current assets in the Kimberley region are £1,984,809 (2018: £931,639). All revenue consists of sales of diamonds in South Africa through auctions as is customary in the industry. The Group sells its diamonds through auctions run by CS Diamonds.

18. Other gains and losses

Other gains and losses comprise:	**Group 2019**	**Group 2018**
Gain or loss on foreign exchange differences	(47,291)	(607,058)
Fair value gains on derivatives	2,104	100,870
Total other gains and losses	**(45,187)**	**(506,188)**

19. Loss from operating activities

Loss from operating activities includes the following separately disclosable items	**Group 2019**	**Group 2018**
Operating expenses		
Operational and direct costs	3,585,514	2,072,810
Property plant and equipment		
- depreciation	285,824	284,230
Right-of-use assets		
- depreciation	53,880	-
Mining assets		
- amortisation	32,223	26,042
Inventory on hand		
- Diamond stock movement	(337,003)	(100,979)
- Stockpiles and consumables movement	(310,184)	-
Leases		
- operating lease rentals - Land and Buildings	-	50,306
- operating lease rentals - Equipment	-	139,268
Share-based payments		

- Equity-settled share-based payments	114,348	57,457
Staff costs	991,514	626,528
Auditor's remuneration		
Audit fees - audit of financial statements	35,350	30,000
Audit fees - audit of accounts of subsidiary of company	8,460	10,182
Other audit-related services - Interim review	5,125	-
Other services - Agreed upon procedures	1,845	-
	50,780	40,182

Staff numbers and costs	**Group 2019**	**Group 2018**	**Company 2019**	**Comp 2**
Directors' remuneration	161,417	132,320	161,417	132
Staff salaries	830,097	494,208	4,050	
	991,514	626,528	165,467	132

The table above relates to the Directors remuneration, key management personnel and employees of the Group.

	2019 Number	**2018 Number**
Directors	4	4
Administration and production	60	47
	64	51

20. Finance income

Finance income comprises:	**Group 2019**	**Group 2018**
Interest received from financial institutions	25,460	8,600

21. Finance costs

Finance costs included in profit or loss:	**Group 2019**	**Group 2018**
Finance charges - trade and other payables	8,578	16,302
Finance charges - loan facilities	30,863	26,518
Finance charges - convertible loan notes	70,610	64,191
Finance charges - leases (2018: finance leases)	23,205	3,709
Finance charges - provisions	2,337	2,175
Finance charges - financial institutions	56,757	32,676
Total finance costs	**192,350**	**145,571**

22. Income tax credit

22.1 Income tax recognised in profit or loss:	**Group**	**Group**

	2019	2018
Current tax		
Current year	-	-
Prior period overprovision	-	4,181
	-	**4,181**
Deferred Tax		
Originating and reversing temporary differences	**-**	**-**
Total income tax credit	**-**	**4,181**

22.2 The income tax for the year can be reconciled to accounting loss as follows:	**Group 2019**	**Group 2018**
Loss before tax from operations	(684,244)	(2,446,124)
Income tax calculated at 19% (2018: 19%)	(130,006)	(464,764)
Tax effect of		
- Differences in rates (South African tax)	(60,065)	(186,612)
- (Income)/Expenses not deductible for tax purposes	244,664	(5,293)
Effects of group relief	-	17,545
Foreign tax losses in subsidiary	126,174	282,578
Unrecognised tax losses and timing differences	-	356,546
Previously unrecognised tax losses utilised to reduce tax expense	(180,767)	-
Prior year overprovision	-	4,181
Tax charge	**-**	**4,181**

The group has tax losses carried forward of £2,921,732 (2018: £3,548,814) for which no deferred tax asset is recorded given insufficient certainty regarding the timing of future taxable profits.

23. Share-based payments

23.1 The company had the following share based payment agreements which are described below:

Type of Arrangement	Date of grant	Number of shares granted	Contractual life	Exercise price
Directors share option plan – Tranche 4	01/05/2016	1,552	4 years	5,500p
Directors share option plan – Tranche 5	19/01/2017	4,454	5 years	2,500p

Directors share option plan – Tranche 7	10/08/2017	14,314	5 years	625p
Directors share option plan – Tranche 8	27/09/2017	4,894	2 years	875p
Directors share option plan – Tranche 9	16/05/2019	228,060	5 years	50p

Tranche 4 and 5 have fully vested.

Tranche 7 options vest 2 years from the date of grant dependent on the company's mid-market share price reaches 1,500p in that period. All options in Tranche 7 lapsed in the year.

Tranche 8 options vest 2 years from the date of grant dependent on the company's mid-market share price reaches 1,500p in that period. All options in Tranche 8 lapsed in the year.

Tranche 9 options are split with half vesting 1 year from the date of grant and half vesting immediately on the date of grant.

23.2 Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price in pence 2019	Options 2019	Weighted average exercise price in pence 2018	Options 2018
Outstanding at the beginning of the period	2,235	22,961	2,200	45,006
Granted during the period	50.00	228,060	-	-
Expired during the period	688.70	(16,955)	2,760	(22,045)
Outstanding at the end of the period	**132.77**	**234,066**	**2,235**	**22,961**
Exercisable at the end of the period	211.39	120,037	3,275.00	6,007

The number of shares and price per share were adjusted for the share consolidation that was effected on 25 July 2019 at a ratio of 500:1.

23.3 Options granted during the year

Options are valued at the date of grant using the Black-Scholes option pricing model.

The fair value per option of options granted during 2019 and the assumptions used in the calculation are shown below:

	Tranche 9
Average grant date share price (p)	67.50

Average exercise price (p)	50.00
Share price volatility (p.a)	86 %
Risk-free interest rate (p.a)	0.83%
Dividend yield (p.a)	0 %
Average contractual life (years)	5.00
Average fair value per option (p)	48.43

No new share options were granted and valued during 2018.

23.4 Share based payment expense

The total share-based payment expense for the year ended 31 December 2019 was £114,348 (2018: £57,457) in relation to share options.

24. Earnings per share

24.1 Basic earnings per share	**Group 2019**	**Group 2018**
Loss for the year attributable to owners of the company	(510,722)	(1,902,842)
Weighted average number of ordinary shares	2,470,871	443,480
Basic loss per share	(0.21)	(4.29)

On 25 May 2019 a share consolidation was approved whereby every 500 ordinary shares of 0.01 pence were consolidated into 1 ordinary share for 5 pence each. The weighted number of ordinary shares for 2018 was adjusted to reflect the change and the comparative figures have been restated.

24.2 Additional disclosures

Share options granted to directors could potentially dilute EPS in the future but are not included in a dilutive EPS calculation because they are antidilutive for the period.

25. Contingent liabilities

Dispute with former director	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Estimated financial effect	60,067	60,380	60,067	60,380

The amount payable to CB Visser and his related companies as disclosed in Note 15, is currently under dispute. CB Visser is a former director and CEO of both Kareevlei Mining (Pty) Ltd and BlueRock Diamonds Plc. who resigned during September 2016. The total claim submitted by him amounts to £260,108 of which £198,688 has been accounted for under trade and other payables. The Group has

given security for the amount of £223,914 in respect of the above claim. This security is held in trust by the group's lawyers. The company's legal advisors are of the opinion that based on current available information, the claims are without merit.

26. Cash used in operations	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
(Loss)/profit before taxation	(684,244)	(2,446,124)	(16,850)	(372,661)
Adjustments for non-cash items				
Interest accrued on group loan	-	-	(694,076)	(558,687)
Interest accrued on convertible loan notes	70,609	64,191	70,609	64,191
Interest accrued on borrowings	54,067	59,415	30,862	55,706
Interest on rehabilitation provision	2,337	2,175	-	-
(Increase) / decrease in inventories	(647,188)	(100,980)	7,352	(7,352)
Decrease / (increase) in trade and other receivables	15,024	(66,768)	(44,466)	(114,575)
Increase / (decrease) in trade and other payables	295,912	250,766	2,675	(64,671)
Depreciation and amortisation	371,927	310,272	-	-
Share-based payments	114,347	57,457	114,347	57,457
Fair value gains on derivatives	(2,104)	(100,870)	(2,104)	(100,870)
Foreign exchange movements	47,291	607,059	43,321	548,990
Total non-cash adjustments	**322,222**	**1,082,717**	**(471,480)**	**(119,811)**
Cash used in operations	**(362,022)**	**(1,363,407)**	**(488,330)**	**(492,472)**

Reconciliation of liabilities from financing	**Loans and borrowings**	**Finance lease**	**Leases**	**Total**
At 1 January 2018	243,325	-	-	243,325
Cash flows:				
Draw down	231,400	-	-	231,400
Repayment	(125,906)	(8,543)	-	(134,449)
Non-cash flows:				
Finance lease	-	36,523	-	36,523
Interest accruing	55,706	3,709	-	59,415
At 31 December 2018	404,525	31,689	-	436,214
Recognised on adoption of IFRS 16	-	(31,689)	228,831	197,142
	404,525	-	228,831	633,356
Cash flows:				
Repayment	(142,262)	-	(63,545)	(205,807)
Non-cash flows:				
Loans converted into share capital	(7,000)	-	-	(7,000)
Lease liabilities	-	-	280,509	280,509
Interest accruing	30,862	-	23,205	54,067

Decrease through net exchange differences	-	-	(1,297)	(1,297)
At 31 December 2019	**286,125**	**-**	**467,703**	**753,828**

All movements on convertible loan notes and derivatives were non-cash. The Company figures comprise the loans and borrowings above, excluding leases and finance leases.

27. Related parties

27.1 Relationships

Name	Nature of relationship
William van Wyk	Minority interest in Kareevlei Mining (Pty) Ltd
Subsidiaries:	Kareevlei Mining Proprietary Limited
	Diamond Resources Proprietary Limited
G Waugh	Son of Adam Waugh
Teichmann Company Limited	Significant shareholder in BlueRock Diamonds Plc
Numovista Pty Ltd	Common shareholder with significant influence

27.2 Related party transactions and balances	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Loan account - Owing by related party				
Kareevlei Mining Proprietary Limited	-	-	7,555,575	6,188,951
Management fees owing by related party				
Kareevlei Mining Proprietary Limited	-	-	496,474	443,662
Trade payables due to related party				
Teichmann Company Limited	179,054	-	-	-
Transactions with related parties				
Kareevlei Mining Proprietary Limited				
- Interest received	**-**	**-**	694,076	558,686
- Management fees received	**-**	**-**	79,200	79,200
- Purchases	**-**	**-**	-	(27,133)
Teichmann Company Limited				
- Contractor fees paid	**739,202**	**-**	-	-
Numovista Pty Ltd				
-Purchase of plant and equipment (February 2020)	**350,000**	**-**	-	-
Diamond sales				

-D Facey	**-**	**369**	-	369
-G Waugh	**-**	**2,413**	-	2,413

Diamond sales to related parties were made at a small premium to market value

William van Wyk				
-Interest paid	**3,759**	**3,709**	-	-

During March 2018 the Group entered into a lease facility agreement with William van Wyk, whereby motor vehicles are leased over a term of 72 months at a rate of 12.5% per annum with the final repayment during February 2024. As at 31 December 2019 the balance payable on the lease facility was £26,918 (2018: £31,689).

A Waugh and P Beck				
- Interest paid - A Waugh	27,741	8,338	27,741	8,338
- Interest paid - P Beck	-	29,965	-	29,965

During August 2018 the Group entered into a loan agreement with A Waugh and P Beck. See note 16 for further details. As at 31 December 2019 the balance payable on the loan agreements were £169,127 (2018: £191,297) and £Nil (2018: £47,522) respectively.

27.3 Compensation paid to directors and key management personnel

Directors:

MJ Houston - received fees of £55,417 (2018: £nil)

TG Leslie - received fees of £10,000 (2018: £nil)

A Waugh - received fees of £40,000 (2018: £96,320)

D Facey - received fees of £56,000 (2018: £36,000)

Key management personnel:

AT Simbanegavi - received salary from Kareevlei Mining Proprietory Limited of £93,237 (2018: £nil)

27.4 Placing and subscriptions

The directors subscribed to the following shares during the year:

Name	**Number of ordinary shares issued**	**Warrants issued**

MJ Houston (Executive Chairman)		
- 16 May 2019	30,000	30,000
DA Facey (Chief Financial Officer)		
- 16 May 2019	20,000	20,000
AT Simbanegavi (Chief Operating Officer)		
- 16 May 2019	10,000	10,000
A Waugh (Former Non-Executive Director)		
- 16 May 2019	13,622	13,622
PJ Beck (Former Non-Executive Chairman)		
- 16 May 2019	30,000	30,000
	103,622	**103,622**

28. Events after the reporting date

28.1 Fundraising

On 18 February 2020 the Company successfully raised an aggregate before expenses of £1,900,000 via the issue of 2,235,289 ordinary shares of 5 pence each in the capital of the Company through a placing and subscription at 85 pence per new share. The Company will use the majority of the funding to develop and expand its ongoing mining activity.

28.2 Purchase of processing plant

The Company's subsidiary, Kareevlei Mining Pty Limited, entered into a rent to buy agreement to acquire a processing plant from Numovista Pty Limited after the reporting date. Under the terms of the agreement, Kareevlei will pay a total of £650,000 over 3 years for the plant.

28.3 Covid-19 pandemic impact

Kareevlei was put into care and maintenance mode pending changes in the approach of South African Government and secondly on being able to identify a route to market that would allow the operations to run cash flow positively. The tender held by CS Diamonds in March was poorly attended and the bids that were received for our diamonds are best described as speculative and, as a consequence, we withdrew the diamonds from sale.

Given the likely ongoing travel restrictions to and within South Africa and the likely ongoing impact of the South African diamond tenders, the Company expedited its plan to commence selling diamonds in the international market. We focussed on Antwerp as being the most liquid diamond market and the most likely to return to operating normally in the shortest period of time, particularly as many diamond buyers have representatives located in Antwerp hence reducing the impact of any ongoing travel restrictions.

After discussion with a number of operators in Antwerp, an agreement was signed with Bonas-Cousyns NV, part of the Bonas Group (“Bonas”). Bonas is the world’s longest established diamond brokerage and consultancy firm and is the largest global independent diamond and gemstone tender and auction house operating 50 sales a year having sold 6.1 million carats in 2019. Bonas attracts approximately 160 buyers to its sales, significantly more than attend the local tenders held in Kimberley. Bonas held its first tender since the outbreak of COVID-19 from 12 to 18 June 2020.

At the same time as reaching the agreement with Bonas, the Company entered into a non-binding letter of intent (“Letter of Intent”) with Delgatto Diamond Finance Fund LP (“DDFF) to provide bridging finance between production of diamonds and eventual sale. Under the terms of the letter of intent, DDFF will finance monthly parcels of diamonds at 70% of the market value as determined by BONAS at a cost of 1.25% per month (equivalent to 15 per annum). This will enable BlueRock to have flexibility over when its diamonds are sold. It is management’s expectation that the first sale will occur in September 2020.

The Board has taken the decision to focus on keeping the cost of production as low as possible to minimise the risk that its selling or finance price (being 70% of market value) exceeds its cost of production. Accordingly, the decision has been taken to reduce the level of development mining to align with the lower annual production, remove contract crushing and freeze employment whilst continuing to manage overhead costs. The Company will also benefit for a period from the weaker exchange rate and the material drop in the oil price.

29. Financial risk management

29.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk.

29.2 Market Risk

29.2.1 Foreign exchange risk

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group may use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency.

Sensitivity analysis

At 31 December 2019, if the pound sterling had weakened/strengthened by 12% against the South African Rand with all other variables held constant, post-tax loss for the year would have been £72k lower (2018: £221k) or £91k higher (2018: £282k), mainly as a result of foreign exchange gains or

losses on translation of South African Rand denominated trade receivables and intragroup borrowings. The exchange rates used for conversion of South African rand monetary items to Sterling were – 2019: 18.44, 2018: 18.34.

29.2.2 Price risk

The profitability of mining operations is directly related to the prevailing diamond price. Historically, diamond prices have been volatile and are affected by numerous factors which the Group is unable to control or predict, including world production levels, international economic trends, industrial and consumer demand, currency exchange fluctuations, seasonality, speculative activity and political events.

The Group realises US Dollars for its diamond sales, and reports its results in Pounds Sterling. Should the South African Rand strengthen against the Pound, the costs of the Group's mining operations, which are largely denominated in South African Rand, may be adversely affected. Should the US Dollar weaken against the Pound, the Group's revenues may be reduced.

Should market prices for raw materials, services and equipment, such as diesel or mining equipment increase, the Group's results may be adversely affected. The Group seeks to obtain the best rate for each product or service, taking into account price, service quality and reliability.

Sensitivity analysis

An increase in the average US Dollar diamond price per carat of 10%, with all other variables held constant would have decreased post-tax loss by £406k (2018: £142k), while a decrease would have increased post-tax losses by £406k (2018: £142k).

29.2.3 Interest rate risk

The Group has borrowings that incur interest at fixed rates and therefore does not have significant risk relating to movements in interest rates. The Group's fixed rate borrowings comprise convertible loan notes and loan facilities which incur interest at fixed interest rates of between 10% and 12.50%.

29.2.4 Covid-19 risk

Possible further shutdown

There is a risk that the South African Government may impose a second shutdown should the spread of the infection increase. There have been no infections to date at the mine and the Group has taken measures to protect its employees and has plans in place to detect and isolate cases.

Availability of tenders and fall in prices

There is a risk that tenders will be closed or poorly attended as was seen at the March tender in South Africa which caused a dramatic fall in prices offered. The Group has put in place plans to commence selling in the Antwerp market through the Bonas Group, as discussed above, to mitigate this risk. The Company has also entered into a non-binding letter of intent ("Letter of Intent") with Delgatto Diamond Finance Fund LP ("DDFF) to provide bridging finance between production of diamonds and eventual sale to mitigate this risk.

29.3 Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The credit risk on receivables from subsidiaries is significant and their recoverability is dependent on the discovery and successful development of economic reserves by these subsidiaries' undertakings. Given the nature of the Group's business significant amounts are required to be invested in exploration activities. The Directors manage this risk by reviewing expenditure plans and budgets in relation to projects. This review ensures that any expenditure is value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves. The maximum credit exposure of the Company as at 31 December 2019 was £8,466,787 (2018: £6,953,373) of which £7,555,575 (2018: £6,188,852) is related to the subsidiary loan. The maximum credit risk of the Group as at 31 December 2019 was £446,552 (2018: £450,173).

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the subsidiary loan receivable and considered scenarios including recovery via future production, via sale of licences and a scenario in which the loan cannot be realised.

Based on analysis of forecasts and the underlying Inferred Resource value no expected credit loss provision is considered to apply.

29.4 Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. The maximum exposure from the Group's financial liabilities, including borrowings, lease liabilities and trade and other payables are set out in note 16.2.

29.5 Capital risk management

The Group's capital management objectives are:

- to safeguard the Group's ability to continue as a going concern and provide access to adequate funding for its exploration and development project so that it continues to provide returns and benefits to shareholders;
- to support the Group's growth; and

- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group including planned exploration work and capital efficiency, projected profitability, projected operating cash flows and projected capital expenditures. Management regards total equity as capital and reserves, for capital management purposes If additional equity funding should be required, the Group may issue new shares.

30. Fair value measurement of financial instruments

Financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at each year end:

Financial liabilities held at fair value through profit and loss:	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Embedded derivative (level 3)	10,359	12,463	10,359	12,463

The Group's management team perform valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Embedded derivative (level 3)

The derivative financial instrument is a level 3 valuation as it is not possible to observe all future additional financing requirements for the Group to perpetuity. Therefore, the future conversion price of the convertible loan notes may be reduced. As a result the derivative has been valued using the Monte-Carlo simulation with 5,000 iterations to anticipate the Group share price movements to provide a valuation for the convertible loan note. Inputs included in the Monte Carlo simulation were: the Company's historical and current share price, the convertible loan exercise price, the risk-free rate of return, the convertible loan grant date and vesting period.

31. Ultimate controlling party

The Group considers that there is no ultimate controlling party.