

JOHANNESBURG, South Africa, July 14, 2015 /CNW/ - [Rockwell Diamonds Inc.](#) ("Rockwell" or the "Company") (TSX:RDI; JSE:RDI) announces results for the three months ended May 31, 2015.

Currency values are presented in Canadian dollars, unless otherwise indicated.

FINANCIAL HIGHLIGHTS

	Q1 F2016	Q1 F2015	% Change	Q4 F2015	F2015
Total revenue (\$m)	9.2	15.1	(39)	17.1	68.0
Rough diamond sales (\$m)	8.3	9.7	(14)	15.6	56.9
Beneficiation revenue (\$m)	0.9	5.4	(83)	1.5	11.1
Average price per carat sold (US\$)	1,432	1,312	9	1,544	1,345
Gross profit / (loss) before amortization and depreciation (\$m)	(3.1)	4.3	-	(3.1)	(0.8)
Average cash operating cost / m ³ (US\$)	13.09	13.2	(1)	11.2	11.4
Cash generated / (used) in operations	(5.0)	1.1	-	0.8	0.7
Loss attributable to owners of the parent (\$m)	(65.1)	0.4	-	(8.2)	(14.0)
Net Cash and cash equivalents (\$m)	(1,299)	(1,453)	11	0.6	0.6

Salient features

- Rockwell entered a transition phase in the first quarter and took the decisions to suspend operations at Niewejaarskraal ("NJK") pending review of the geological model and plant, to sell its interest in Tirisano and to buy Remhoogte, all of which were completed.
- Operating results reflect the transition, reporting with a net loss of (\$5.1 million), after impact of non-recurring expenses totalling \$4.9 million.
- First quarter revenue down 39%, as diamond sales were impacted by lower production at NJK and Saxendrift Hill Complex ("SHC") and the Tirisano disposal. Beneficiation dropped year on year as the prior-year revenue was skewed by the sale of an exceptional 109-carat polished diamond.
- Average cash costs declined marginally to US\$13.09 per m³ notwithstanding lower volumes processed by MOR operations (down 14%),
- The acquisition of Remhoogte/Holsloot Project ("RS/HS") and its associated plant and equipment ("the acquisition") in Middle Orange River ("MOR") was completed and Rockwell assumed operating control on May 28, 2015. Grades and volumes achieved have been on plan for the first four weeks of operation, subsequent to the date of change of control.
- A financing is planned to raise both equity and asset funding in Q2 to repay the US\$ 16.5 million plus ZAR 16 million bridging loans from two shareholders, Ascot Diamonds (Proprietary) Limited and Rockwell Chairman Mark Bristow, that facilitated the closing of the acquisition.
- Cash generated by the new operations have enabled repayment of ZAR 16 million the bridge loans during June and July.
- Ongoing focus on delivering medium term strategic target to process 500,000m³ of gravels per month from MOR operations, and rebuilding production profile to achieve sustainable profitability:
 - Rationalization of existing MOR operations is currently underway with redeployment of certain assets to the acquired operations.
 - Review of the mine plan at Niewejaarskraal to avoid stripping costs experienced to date.
 - Medium-term plans also include exploration at Lanyonvale and large-scale bulk sampling at Wouterspan with a view to replacing Saxendrift as it approaches the end of its economic life and to deliver additional organic growth.

Commenting on the first quarter financial performance, James Campbell, CEO and President said:

"Rockwell has come through a challenging first quarter as we dealt with some final legacy issues and rationalized our own operations which have been struggling with declining grades. Having sold Tirisano, suspended operations at Niewejaarskraal and closed Saxendrift Hill Complex, the completion of the Bondeo acquisition delivers a suite of longer life options including the flagship Remhoogte/Holsloot operations. With these assets and our own Wouterspan and Lanyonvale feasibility and exploration projects we are now able to look to the future and deliver on our medium term objectives of building a sustainably profitable and integrated diamond business."

Financial review:

- Revenue: Gross rough diamond revenues were \$9.2 million (2014: \$15.1 million), a 39% decrease over last year, due to lower beneficiation revenue (\$4.5 million) and a decrease in contractor sales at Tirisano (\$1.7 million), MOR carats sold were on a par with the prior year.
- Production Costs: Production costs decreased from \$ 11.3 million last year to \$10.9 million in the current period, reflecting lower costs due to the suspension of activities at NJK and SHC. The impact of these suspensions was a reduction in cost of \$3.2 million compared with Q1 2015, net of non-recurring closure costs of \$0.9 million. Costs at Saxendrift increased by \$3.5 million, however, due to increased mining activity brought on by higher levels of waste stripping. On a unit basis the average cash cost for all the operations for Q1 F2016, amounted to US\$13.09 per cubic metre processed.
- Cost of sales before amortization and depreciation increased to \$12.3 million owing to the changes in production costs mentioned above and the value of goods sold from stock.
- Gross (loss) profit before amortization and depreciation: A gross loss before depreciation and amortisation of \$3.1 million was reported by the Group for Q1 2016, which compares to a profit of \$4.3 million for Q1 2015. This is largely driven by non-recurring operating losses at NJK and SHC of \$2.7 million and higher stripping ratios at Saxendrift.
- Non-recurring income statement impacts: Operating results reflect the current transition of the business with a net loss of (\$5.1 million), which included the non-recurring income statement impacts of business decisions, for a total of \$4.9 million from:
 - Operating losses at NJK and SHC of \$2.7 million (including one time restructuring and redundancy costs of \$0.9 million)
 - Business development acquisition transaction costs of \$0.4 million; and
 - A write down of Tirisano of \$1.8 million, following sale of the asset.
- Cashflows: The group utilised cash flow in operations of \$5.0 million (Q1 F2015: \$1.1 million generated), largely due to the trading outcome mentioned above and funding the transition costs related to closures and the Acquisition.
- Net cash position: At May 31, 2015 the Group had an overdraft of \$1.3 million (Q1 F2015: overdraft of \$1.5 million), having recorded a net cash outflow of \$2.7 million.

Market update

The first quarter was characterized by a continued slowdown in rough purchases and polished price stabilization largely due to the lower volumes traded. Although finance remains tight, there has been a slight improvement in finance available.

At De Beers' two sights held during the quarter, prices were down some 5% to 7% and volumes were greatly reduced. The rejection rate by sight-holders was up to 30%, largely due to minimal margin on sight goods and the unavailability of finance. Alrosa also reduced their prices and lowered volumes in line with market demand and resistance to paying high prices. Other producers, the majority selling via tender process, saw prices stabilizing in the second quarter of calendar year with steady tender demand.

Players in the polished diamond market continued their attempts to reduce inventory and improve liquidity. Prices stabilized and while polished is still plentiful, shortages of certain more desirable items are emerging. Factories, have adjusted their workforce rather than polishing the expensive rough at a loss.

Looking forward, a continued reduction in rough supply and lower prices could sustain polished prices and stabilize the disparity between rough and polished prices. As the seasonally slow northern hemisphere summer trade does slow down, polished consumption will follow suite, and thus there is no expectation of price increases.

Outlook

Having completed the acquisition, Rockwell's focus is now on rebuilding its production profile and delivering further growth opportunities from its project pipeline as well as new business opportunities.

Rockwell expects to steadily ramp up RH/HS throughput and further rationalize the various processing plants into one operational structure by August 2015. Expansion plans also include constructing an in field screen to increase monthly volumes to 200,000m³.

Production from the RH/HS Project provides Rockwell with headroom to rationalize its existing operations, redeploying assets to newly acquired operations and expediting work on development projects. In the medium term, the Company will retire those mines that are reaching the end of their economic lives, including Saxendrift, moving existing plant and EMV assets to build new operations at fresh resources from the Company's project pipeline. Its exploration priorities are to complete geological mapping at Lanyonvale and more towards bulk sampling and at Wouterspan, the goal is to commence bulk sampling after completing the feasibility studies. Both are considered to have significant potential to add to the Company's resources.

The Company also continues to evaluate new projects and value accretive consolidation opportunities to meet its strategy to become a mid tier diamond producer.

Conference Call:

Rockwell will host a telephone conference call on July 15, 2015 at 09:00 a.m. Eastern Time (15:00 p.m. Johannesburg / 14:00 p.m. London) to discuss these results. The conference call may be accessed as follows:

Country	Access Number
Canada and USA (Toll-Free)	1 855 481 5362
South Africa (Toll-Free)	0 800 200 648
South Africa – Johannesburg	011 535 3600
South Africa – Cape Town	021 819 0900
UK (Toll-Free)	0808 162 4061
Other Countries (Intl Toll)	+27 11 535 3600
Other countries – Alternate	+27 10 201 6800

A transcript of the audio webcast will be available on the Company's website: www.rockwelldiamonds.com. The conference call will be archived for later playback until midnight (ET) July 18, 2015 and can be accessed by dialling the relevant number in the table below and using the pass code 38031#.

Country	Access Number
South Africa (Telkom)	011 305 2030
Canada and USA (Toll Free)	1 855 481 5363
Other Countries (Intl Toll)	+27 11 305 2030
UK (Toll-Free)	0 808 234 6771

For further details, see Rockwell's complete financial results and Management Discussion and Analysis posted on the website and on the Company's profile at www.sedar.com. These include additional details on production, sales and revenues for the quarter, as well as comparative results for fiscal 2014

About Rockwell Diamonds:

Rockwell is engaged in the business of operating and developing alluvial diamond deposits, with a goal to become a mid-tier diamond production company. Rockwell also has a development project and a pipeline of earlier stage properties with future development potential. The operations are based on a strategy of throughput processing and technology. Rockwell continuously strives to be the lowest cost producer in the industry.

The Company is known for producing large, high quality gemstone comprising a major portion of its diamond recoveries that is enhanced through a beneficiation joint venture that enables it to participate in the profits on the sale of the polished diamonds.

Rockwell also evaluates consolidation opportunities which have the potential to expand its mineral resources and production profile and to provide accretive value to the Company.

Rockwell's common shares trade on the Toronto Stock Exchange and the JSE Limited under the symbol "RDI".

No regulatory authority has approved or disapproved the information contained in this news release.

Forward Looking Statements

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include uncertainties and

costs related to the transaction and the ability of each party to satisfy the conditions precedent in a timely manner or at all, exploration and development activities, such as those related to determining whether mineral resources exist on a property; uncertainties related to expected production rates, timing of production and cash and total costs of production and milling; uncertainties related to the ability to obtain necessary licenses, permits, electricity, surface rights and title for development projects; operating and technical difficulties in connection with mining development activities; uncertainties related to the accuracy of our mineral resource estimates and our estimates of future production and future cash and total costs of production and diminishing quantities or grades if mineral resources; uncertainties related to unexpected judicial or regulatory procedures or changes in, and the effects of, the laws, regulations and government policies affecting our mining operations; changes in general economic conditions, the financial markets and the demand and market price for mineral commodities such as diesel fuel, steel, concrete, electricity, and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the US dollar, Canadian dollar and South African Rand; changes in accounting policies and methods that we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; environmental issues and liabilities associated with mining and processing; geopolitical uncertainty and political and economic instability in countries in which we operate; and labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which we operate our mines, or environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt operation of our mines or development projects.

For further information on Rockwell, Investors should review Rockwell's home jurisdiction filings that are available at www.sedar.com

SOURCE [Rockwell Diamonds Inc.](#)

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