

VANCOUVER, Sept. 21, 2015 /CNW/ - [Rockwell Diamonds Inc.](#) ("Rockwell" or the "Company") (TSX: RDI; JSE: RDI) announces its quarterly production and sales update for the three months ended August 31, 2015:

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

Salient features

- Strategy - Rockwell is making progress in rebuilding its Middle Orange River ("MOR") footprint following the acquisition of the Remhoogte - Holsloot Complex ("RHC") assets and expediting exploration work on its development projects at Lanyonvale and Wouterspan.
- Volumes - gravel processed were 15% down year-on-year, chiefly due to the closure of Nieuwejaarskraal ("NJK"). Production volumes at RHC were ahead of plan. Saxendrift processed lower volumes than last quarter because of the feed being mostly denser Rooikoppie gravels, and the closure of Saxendrift Hill Complex ("SHC") in December 2014.
- Grade - Saxendrift posted a grade increase of 58% year-on-year, offsetting the lower Rooikoppie volumes processed. RHC, which was acquired on May 28, 2015, recorded grade of 0.9 cphm³ with all three processing plants now in operation, as expected in the acquisition diligence.
- Carat sales - up 40% year-on-year to 5,331 carats, and the value of these goods also increased by 6% to US\$9.5 million (excluding beneficiation). Total sales (including contractor production but excluding beneficiation) were down 28% to US\$9.6 million due to the sale of Tirisano at the end of March.
- Average carat price - down 24% from Company-owned properties, to US\$1,791 per carat reflecting general market weakness, and sub threshold processing for the recovery of larger stones at RHC.
- Rough diamond inventory - 730 carats (including the remaining royalty contract miners' inventory) carried over into third quarter of fiscal 2016.
- Equity financing - was suspended on August 24, 2015, due to the downturn in global commodity and equity markets. The existing acquisition debt of \$16.5M will remain in place for the immediate future, resulting in operating cash flows from diamond sales being used to service and repay debt, and this will have an impact on the progress of development projects. To date, \$3.8M of acquisition and convertible debt has been repaid since May, 2015. Shareholders' are to vote at a meeting to be held on September 23, 2015 to approve issue of up to 31.8 million three year warrants in settlement of the bridging loan, in the absence of having raised sufficient equity to settle the loans.

Safety and Operations

Rockwell experienced a fatality at its newly acquired Remhoogte plant on September 3, 2015. The Company responded with the immediate cession of operations on both the Remhoogte and Holsloot properties. A full investigation has been undertaken by the Department of Mineral Resources as well as the Company; two of the three plants are now back in operation following comprehensive reviews of safety procedures. Up to this time, Rockwell had achieved 3,074 fatality free hours on its operations, and the Company continues to strive for zero harm on all of its operations.

Commenting on second quarter production and sales James Campbell, CEO and President said:

"It is with regret that we have to share the news of a fatality at one of our operations this past quarter and I extend our condolences to the deceased's family. We continue to provide his family with support as is our custom in situations like this and remain committed to our goal of achieving zero harm to our employees.

"In Q2, we bedded down the RHC acquisition with all three processing plants going on stream at an initial rate of 90,000m³ per month, before increasing to 130,000m³ by quarter end. This was ahead of our volume and carat production targets. The plan is to expand throughput volumes to 200,000m³ with additional in-field screening capacity. We met our planned grade of 0.9 cphm³, producing 3,405 carats, including three +50 carat stones. The average RHC price realization of US\$1,371 per carat was below our long-term anticipated value, though this is within the statistical variation for volumes processed to date and reflects current pressure on global rough diamond prices. In the first week of September, RHC prices achieved rebounded to expected levels of ~\$2,200.

"Saxendrift outperformed our Q2 volume and carat production targets, mining at a grade of 0.49 cphm³. Our lower planned monthly throughput of 130,000m³ was due to the processing higher density Rooikoppie material and the impact of closure of SHC. We are closely monitoring Saxendrift's profitability as it approaches the end of its economic life. Recently identified buried middlings should allow us to operate profitably until we deliver a replacement project using existing equipment and employees. This is most likely to be at Wouterspan where a study to reopen the property is well advanced.

"During Q2 we also focused on refinancing the bridging loans from our key shareholders that allowed us to close the acquisition. The downturn in global commodity markets delayed our efforts to raise equity financing and we are exploring alternative equity financing to fund our immediate and future development requirements. In the meantime, we used cash flows from diamond sales and beneficiation to pay down \$3.8 million of debt in three months."

PRODUCTION REVIEW

Volume and carat production for total Company owned properties to August 31, 2015 were as follows:

	Q2 F2016	Q2 F2015	% Change	Q1 F2016	F2015
Volumes processed (000m ³)	838	1,467	(43)	790	5,382
Carats produced (carats)	5,613	9,581	(41)	4,655	35,717
Grade (carats/100m ³)	0.67	0.65	3	0.59	0.66

Additional information: Refer to Appendix 1: Detailed production data

- Volumes of gravel processed were down 43% from the prior year. This is due to the suspension of operations at NJK, the lower processing volumes of higher density, higher grade, Rooikoppie material, the closure of SHC at the end of 2014 and, and the impact of the disposal of Tirisano. These impacts were partially offset by production from RHC, included for the three months subsequent to closing the acquisition on May 28, 2015.
- Improved grades at Saxendrift combined with the higher-grade RHC operation resulted in a 74% improvement in grades at the Company's MOR operations.
- Saxendrift: The volume of gravel processed was down 38%, mainly due to processing higher density Rooikoppie material, thereby reducing the monthly production budget to 130,000m³. The closure of SHC in December 2014 also reduced total volumes. Grades improved to 0.49 cphm³ (carats per 100 m³), which was 44% up on last year. The higher grade partially offset the lower volumes processed, with the plant reflecting a 12% decrease in carats produced to 2,168 carats. Whilst this operation is reaching the end of its economic life, ongoing exploration has identified additional material, which will enable the extension of mining operations in the short term. Notable stones recovered during the quarter included 15 stones exceeding 20 carats with four in the 50 to 100 carat range.
- RHC: The first three months' production were on plan with all three processing plants in operation by the end of Q2. Production was ramped up from 90,000m³ per month in June 2015 to 130,000m³ by the end the end of the quarter, in line with expectations. The RHC grade was also on plan at 0.9 cphm³ and a total of 3,405 carats were recovered, including 50 stones in the 10 to 20 carat range and 18 +20 carat stones with the largest weighing 52.4 carats; 50.3 carats and 56.1 carats respectively.
- Royalty contractor mining: A small scale royalty mining contractor processing Wouterspan recovery tailings produced 40 carats in Q2.

SALES REVIEW

Diamond sales for total Company owned-properties to August 31, 2015 were as follows:

	Q2 F2016	Q2 F2015	% Change	Q1 F2016	F2015
Sales value (US\$000's)	9,558	13,197	(28)	6,687	50,795
Carats sold	5,359	8,866	(40)	4,671	37,769
Average price	1,783	1,489	20	1,432	1,345

Additional information: Refer to Appendix 1: Detailed sales data

- Saxendrift: Diamond sales declined 14% to US\$4.2 million, commensurate with lower Q2 production. A total of 2,279 carats were sold, down 12% year on year, corresponding to an average value per carat of US\$2,354; down 2% year on year and in line with softer diamond prices across most categories.
- RHC: Diamond sales amounted to US\$5.2 million for the quarter from the sale of 3,052 carats. The recorded average value per carat of US\$1,371 was lower than historical values due to a combination of the processing of sub-threshold volumes for the recovery of larger diamonds as well as lower global diamond prices.

Appendix 1: Volumes and carat production for the Company's owned mines and its royalty mining contractors for the three months ended August 31, 2015 were as follows:

Volume mined	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	474	724	-35%	749	3,228
RHC	355	-	0%	-	-
NJK	-	234	-100%	104	1,499
Total	829	958	-13%	853	4,727
Contractors	-	-	0%	-	-
Grand total	829	958	-13%	853	4,727
Volume processed	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	446	725	-38%	536	2,558
RHC	377	-	0%	3	-
NJK	-	239	-100%	63	984
Total	823	964	-15%	602	3,542
Contractors	15	503	-97%	188	1,840
Grand total	838	1,467	-43%	790	5,382
Carats produced	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	2,168	2,469	-12%	2,556	10,442
RHC	3,405	-	-	41	-
NJK	-	1,295	-100%	431	4,978
Total	5,573	3,764	48%	3,028	15,420
Contractors	40	5,817	0%	1,627	20,297
Grand total	5,613	9,581	-41%	4,655	35,717
Grade	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	0.49	0.34	44%	0.48	0.41
RHC	0.90	-	0%	1.51	-
NJK	-	0.54	-100%	0.69	0.51
Total	0.68	0.39	74%	0.50	0.44
Contractors	0.28	1.16	-76%	0.82	1.08
Grand total	0.67	0.65	3%	0.59	0.66

Appendix 2: Sales for each of the Company's own mines and its royalty mining contractors for the three months ended August 31, 2015 were as follows:

Carats sold	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	2,279	2,604	-12%	2,383	11,526
RHC	3,052	-	0%	-	-
NJK	-	1,206	-100%	685	4,958
Total	5,331	3,810	40%	3,068	16,484
Contractors	28	5,054	-99%	1,603	21,285
Grand total	5,359	8,864	-40%	4,671	37,769
Value of sales	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	5,366	6,266	-14%	4,326	27,233
RHC	4,183	-	0%	-	-
NJK	-	2,745	-100%	1,109	8,457
Total	9,549	9,011	6%	5,435	35,690
Contractors	9	4,186	-100%	1,252	15,105
Grand total	9,558	13,197	-28%	6,687	50,795
Average value	Q2 F2016	Q2 F2015	Change	Q1 2016	F2015
Saxendrift Complex	2,354	2,406	-2%	1,816	2,363
RHC	1,371	-	0%	-	-
NJK	-	2,276	-100%	1,619	1,706
Total	1,791	2,365	-24%	1,772	2,165
Contractors	301	828	-64%	781	710
Grand total	1,783	1,489	20%	1,432	1,345

* "Contractors' mining" refers to independent royalty contractors processing gravel for their own risk and reward on Rockwell owned mineral properties. Carats recovered are then sold through the Company's tender process. The Company retains the responsibility for diamond security and sales and recognize 100% of the revenue on sale. The contractual 87.5% of the sales value, payable to the contractor, is recognized as production costs in the statement of profit and loss.

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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 has a development project and a pipeline of earlier stage properties with future development potential. The operations are based on high throughput processing capability and the lowest unit costs in the industry as a result of implementing state-of-the-art technologies.

The Company is has a reputation for producing large, high quality gemstone comprising a major portion of its diamond recoveries that are enhanced through a beneficiation joint venture which enables it to participate in the profits in the downstream 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.

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 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 of 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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