

VANCOUVER, Jan. 7, 2016 /CNW/ - [Rockwell Diamonds Inc.](#) ("Rockwell" or the "Company") (TSX: RDI; JSE: RDI) announces its quarterly production and sales update for the three months ended November 30, 2015:

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

#### Salient features

- Strategy - Rockwell reaffirmed its medium term target to process 500,000m<sup>3</sup> per month in the Middle Orange River ("MOR"). With the closure of Company directed mining at Saxendrift, which has reached the end of its economic mine life, it is envisaged that operations at Wouterspan will be recommissioned in early 2016. The installation of additional in field screening capacity at the Remhoogte - Holsloot Complex ("RHC"), will enable increased processing of up to 180,000m<sup>3</sup> of gravel per month.
- Volumes &#8211; MOR gravel processed was 5% down quarter-on-quarter as production volumes at RHC and Saxendrift were on plan but lower volumes at Saxendrift led to a reduction in carat production compared with 2015. In addition, the fatality at RHC resulted in a two-week plant shutdown during Ministry investigation, further reducing processing volumes.
- Grade - Saxendrift posted consistent grade, year-on-year, but RHC recorded grade of 0.64 cphm<sup>3</sup> on much lower volumes, compared to 0.9 cphm<sup>3</sup> in the previous quarter. Recent production has produced grades which are significantly higher.
- MOR carat sales were down 28% quarter-on-quarter to 3,823 carats, and the value of these goods declined 48% to US\$5.0 million (excluding beneficiation).
- Average carat price realized from the Company's MOR projects declined by 28% quarter-on-quarter, to US\$1,295 per carat reflecting general market weakness, and sub threshold processing volumes for the recovery of larger stones at RHC.
- Rough diamond inventory - 700 carats (including the remaining royalty contract miners' inventory) carried over into fourth quarter of fiscal 2016.
- Safety &#8211; Rockwell continues to strive for zero harm on all of its operations and had achieved 715,015 lost time injury free hours ("LTIFH") at its MOR operations by the end of the third quarter (subsequent to the fatality at the Remhoogte plant on September 3, 2015). The Company responded to the fatality with the immediate cession of operations on both the Remhoogte and Holsloot properties for a two-week period, and a full investigation into the circumstances of the accident has been completed by the Department of Mineral Resources and the Company.

#### STRATEGIC REVIEW

In the last three months of calendar 2015, the Company conducted an in-depth strategic and operational review of the business to assess its strategic direction, including its commitment to processing 500,000m<sup>3</sup> per month from its MOR operations as well as a significant restructuring to place the business on a sustainable footing. The review included an analysis of management, operational and reporting structures and at the same time identifying overhead and operational cost reductions with the aim of achieving sustainable cash flow going forward.

In summary, the outcomes of the strategic review were:

- Saxendrift operations - Lower grades associated with processing old dumps during the third quarter, which are expected to be depleted at fiscal year-end, led to a decision to close Company directed operations by February 2106, being the end of the fiscal year.
- Saxendrift royalty mining contracts - the Company has entered into two royalty mining contracts with a term of three years. The first commenced operations at Saxendrift in December 2015 with the second starting to mine during February 2016. The Company is assessing further royalty proposals to continue to generate further value from the Saxendrift property. All diamonds recovered by royalty miners at Saxendrift will be sold by the Company, through its sales system and 10% of gross sales will be retained by the Company as a royalty. Current estimates of tailings dumps, and other areas of possible processing interest, show in excess of three years of low grade gravels, which can be processed with little or no mining or stripping cost. This means that smaller low cost royalty miners can be commercial at grades as low as 0.3 cphm<sup>3</sup>.
- Start up of Wouterspan - The Company is finalizing the recommissioning of Wouterspan early in 2016 at an envisaged capital cost of C\$4.4 million (ZAR 43 million). The redeployment of existing processing and mining equipment from Saxendrift, Nieuwejaarskraal and Remhoogte will enable the construction of a 200,000m<sup>3</sup> per month operation, with little need for new equipment; accordingly the budget is composed mostly of relocation and set up costs. The plant design includes an in field screen with three gravel streams to process coarse, mid and fine materials, providing optionality to adapt the processing profile to evolving market pricing trends. Plans also include X-ray Tomography technology to process the large size fractions.
- Exploration on the extensive land package held by the Company will be doubled with the view to identifying further Royalty mining opportunities and to prioritize the development of near term projects
- Closure of Head Office - Closure of Rockwell's Johannesburg corporate office will be undertaken, including the transfer of Rockwell's key senior executives to MOR on a full time basis. Cost savings at an annual run rate of C\$800,000 million (ZAR 7.9 million) are expected at corporate and operational levels including closure of the Johannesburg office.
- Corporate structure - a simplification of operational reporting structures with mine management directly accountable for mine operations, reporting to the CEO who will be based full time in the MOR.

The current level of diamond recovery, grade and volumes processed are an ongoing area of concern across Rockwell's operations. As a result, it has been challenging to achieve financial viability, growth and profitability, which have directly impacted the Company's human capital requirements, and sustainability. Accordingly a decision has been taken to restructure the workforce Company-wide. In line with legislative requirements, as well as the Company's consultative culture, the relevant Government bodies and Employee representative bodies have been informed. All of the Company's employees were issued with Section 189 notices on January 5, 2016.

Consultation processes have commenced internally and the outcome will affect a number of employees, with the real impact to be assessed during the consultation process. Rockwell will make every effort to minimize the number of retrenchments and re-deploy as many employees as possible.

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

"Our third quarter performance was driven by continued weakness in global diamond pricing which negatively impacted the balance sheet, and limited our ability to invest in increased processing capacity. While we chiefly met our third quarter production targets, reduced volumes at RHC following the fatality in early September, meant that we did not achieve the 1.0 million m<sup>3</sup> processing volumes generally necessary for the recovery of large stones. At Saxendrift we continued to process middlings material, which had been dumped by a previous operator in order to defer closure of this operation, which is now reaching the end of its economic mine life. This resulted in a lower average stone size and commensurate reduction in realized average carat values. Overall, MOR volumes processed were 5% lower than those in the second quarter. Production at RHC fell short due to the plant closure resulting from the investigation into the fatality. The prior year included 800 carats of goods sold from inventory and, as a result, MOR carat sales were 28% lower than in the second quarter at 3,823 carats with the value of MOR sales halving to US\$5.0 million.

"Operating performance has been adversely impacted by the declines in grade and overall sales values, and their impact on sales. Management and the board have however taken decisive action to place the Company on a positive footing in order to meet its sustainable operations target of 500,000m<sup>3</sup> processing. At RHC, we installed infield screening facilities towards the end of the quarter, increasing throughput capability going forward to an eventual 180,000m<sup>3</sup>. At Saxendrift, we decided to close the mine by the end of February 2016, with the planned transfer of key skills and infrastructure to Wouterspan to enable recommissioning of a 200,000m<sup>3</sup> operation. Construction has commenced and we anticipate commissioning to take place in mid 2016. In order to ensure the economic sustainability of the business, we have also implemented a corporate restructuring and cost saving measures, which will see a flatter reporting structure and will eliminate annual costs of at least C\$800,000 (ZAR 7.9 million). With the continued support of key shareholders, we are optimistic that this restructuring will benefit all stakeholders."

## PRODUCTION REVIEW

Volume and carat production for total Company owned properties to November 30, 2015 were as follows:

	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Volumes processed (000m <sup>3</sup> )	797	1,522	(48)	838	(5)	5,382
Carats produced (carats)	3,990	10,228	(61)	5,613	(29)	35,717
Grade (carats/100m <sup>3</sup> )	0.50	0.67	(25)	0.68	(26)	0.66

Additional information: Refer to Appendix 1: Detailed production data

- RHC: This acquired operation (which achieves higher grades than the Company's other MOR operations) contributed to a 12% grade improvement in the MOR. Third quarter volumes processed were down 27% from the second quarter, also impacting grade which declined 28% to 0.64 cphm<sup>3</sup>. A total of 1,744 carats were recovered in the quarter, including nine plus 20-carat stones.
- Saxendrift: The volume of gravel processed was up 15% from the second quarter whilst the reported grade of 0.40 (carats per 100 m<sup>3</sup>) ("cphm<sup>3</sup>") was down 18% from 0.49 cphm<sup>3</sup> in the second quarter. Quarterly carat production dropped by 7% to 2,027 carats. Notable stones included 10 plus 20 carat stones.
- Royalty contractor mining: A royalty mining contractor has been processing Wouterspan recovery tailings, and 219 carats were recovered by this operation in Q3. A royalty mining contractor has also completed site establishment at Saxendrift and commenced operations during the third quarter. A second contractor is completing construction and is anticipated to commence production during February 2016.

## SALES REVIEW

Diamond sales for total Company owned-properties to November 30, 2015 were as follows:

	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Sales value (US\$000's)	5,339	15,763	(66)	9,558	(44)	50,795
Carats sold	4,021	13,759	(71)	5,359	(25)	37,769
Average price	1,328	1,146	16	1,783	(26)	1,345

Additional information: Refer to Appendix 1: Detailed sales data

- **Saxendrift:** Diamond sales declined 61% to US\$2.1 million, as a result of lower production as well as the average stone size. A total of 1,996 carats were sold, down 12% quarter-on-quarter, and corresponding to an average value per carat of US\$1,048; down 55% from the second quarter, in line with the lower average stone size as well as softer diamond prices across most categories.
- **RHC:** Diamond sales amounted to US\$2.9 million for the quarter from the sale of 1,827 carats. The recorded average value per carat of US\$1,565 per carat, up 14% from the second quarter. However, this remained below 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 November 30, 2015 were as follows:

Volume mined (000m <sup>3</sup> )	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	536	987	(46)	474	13	3,228
NJK	-	427	(100)	-	-	1,499
RHC	281	-	-	355	(21)	-
Total	817	1,414	(42)	829	(1)	4,727
Contractors	-	-	-	-	-	-
Grand total	817	1,414	(42)	829	(1)	4,727

Volume processed (000m <sup>3</sup> )	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	512	717	(29)	446	15	2,558
NJK	-	266	(100)	-	-	984
RHC	273	-	-	377	(28)	-
Total	785	983	(20)	823	(5)	3,542
Contractors	12	539	-	15	(20)	1,840
Grand total	797	1,522	(48)	838	(5)	5,382

Carats produced	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	2,027	2,819	(28)	2,168	(7)	10,442
NJK	-	1,444	(100)	-	-	4,978
RHC	1,744	-	-	3,405	(49)	-
Total	3,771	4,263	(12)	5,573	(32)	15,420
Contractors	219	5,965	-	40	-	20,297
Grand total	3,990	10,228	(61)	5,613	(29)	35,717

Grade	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	0.40	0.39	3	0.49	(18)	0.41
NJK	-	0.54	-	-	-	0.51
RHC	0.64	-	-	0.90	(29)	-
Total	0.48	0.43	12	0.68	(29)	0.44
Contractors	1.76	1.11	-	0.28	-	1.08
Grand total	0.50	0.67	(25)	0.68	(26)	0.66

Appendix 2: Sales for each of the Company's own mines and its royalty mining contractors for the three months ended November 30, 2015 were as follows:

Carats sold	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	1,996	3,608	(45)	2,279	(12)	11,526
NJK	-	1,805	(100)	-	-	4,958
RHC	1,827	-	0	3,052	(40)	-
Total	3,823	5,413	(29)	5,331	(28)	16,484
Contractors	198	8,346	(98)	28	-	21,285
Grand total	4,021	13,759	(71)%	5,359	(25)	37,769

Value of sales	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	2,093	6,975	(70)	5,366	(61)	27,233
NJK	-	2,873	(100)	-	-	8,457
RHC	2,859	-	-	4,183	(32)	-
Total	4,952	9,848	(50)	9,549	(48)	35,690
Contractors	387	5,915	(93)	9	-	15,105
Grand total	5,339	15,763	(66)	9,558	(44)	50,795

Average value	Q3 F2016	Q3 F2015	% Change	Q2 F2016	% Change	F2015
Saxendrift Complex	1,048	1,934	(46)	2,354	(55)	2,363
NJK	-	1,592	(100)	-	-	1,706
RHC	1,565	-	-	1,371	14	-
Total	1,295	1,820	(29)	1,791	(28)	2,165
Contractors	1,956	709	176	301	-	710
Grand total	1,328	1,146	16	1,783	(26)	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 89.5% 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](http://www.sedar.com).

SOURCE [Rockwell Diamonds Inc.](#)

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