

VANCOUVER, March 24, 2017 /CNW/ - [Rockwell Diamonds Inc.](#) ("Rockwell" or the "Company") (TSX:RDI; JSE:RDI) announces that a judge in Kimberley South Africa issued an interim liquidation order against three subsidiaries of the Company yesterday. The interim orders, which have to be confirmed in a final hearing, include Rockwell Resources RSA (Pty) Ltd (Rockwell RSA), HC van Wyk Diamonds Ltd (HC van Wyk) and Saxendrift Mine (Pty) Ltd (Saxendrift). The effect is that an interim liquidator will be appointed, which will take control of the three companies, and will operate them in the best interest of creditors until the final hearing, currently scheduled for June 22, 2017. The Company has the option to bring that final hearing date significantly forward on an urgent basis. The order does not affect [Rockwell Diamonds Inc.](#), the parent entity.

The interim decision stems from an action by C-Rock Mining (Pty) Ltd (C-Rock) which launched a liquidation application against Rockwell Resources RSA (Pty) Ltd (Rockwell RSA), HC van Wyk Diamonds Ltd (HC van Wyk) and Saxendrift Mine (Pty) Ltd (Saxendrift). In support of this application, C-Rock relied on an alleged Service Level Agreement, a Contract Mining Agreement which was found by forensic investigation to have been awarded to C-Rock under highly irregular circumstances, and for an alleged undertaking that Rockwell will reimburse them for certain tax penalties and accrued interest on such penalties, an alleged undertaking that Rockwell will pay certain debts of Saxendrift, and the construction cost of the wet plant at Wouterspan as well as a large number of disputed invoices stemming from alleged informal agreements with certain former Company management.

The liquidation application was enrolled on the opposed motion roll in the Kimberley High Court for 23 March 2017. C-Rock also supplemented its application with a further affidavit on March 1, 2017. This second affidavit alleged that Rockwell RSA, Saxendrift and HC van Wyk admitted to commercial insolvency and preferred some creditors over others. The supplementary affidavit stems from Rockwell's recent press releases and listed company filings which disclosed, amongst other things the litigation with C-Rock and progress made with the Company's Strategic Repositioning Plan.

Rockwell RSA, Saxendrift and HC van Wyk filed their very substantial answering affidavits on March 20, 2017 and applied for condonation for the late filing thereof, as a procedural matter. The additional time primarily resulted from the need to conclude the intensive forensic investigation. In these filings, Rockwell RSA, HC van Wyk and Saxendrift dispute the very existence, as well as quantum, of the C-Rock claims. Rockwell retained the services of Gobodo Forensic and Investigative Auditors to investigate certain specific dealings between C-Rock and Rockwell RSA, Saxendrift and HC van Wyk. This forensic investigation spanned over a period of three months and included the auditing of thousands of invoices, e-mails and other forms of communication and general company records, and three formal forensic reports comprising over a thousand pages with all schedules and supporting evidence were filed on March 20, 2017.

By way of summary, the answering affidavits of Rockwell RSA, Saxendrift and HC van Wyk provide detailed rebuttal and evidence to support the following:

- Accounts claimed by C-Rock under the alleged Service Level Agreement are not due at all. The alleged Service Level Agreement, intended to spuriously add 10% to all C-Rock invoices, was falsified, signed on behalf of the Company by an unauthorized senior individual and backdated more than a year. Such individual was terminated for other reasons in July 2016, but never advised that he had signed it. C-Rock claimed for back amounts only in August 2016 when this former employee started working with them. At the time of signing such disputed agreement in late 2015, such employee made an undisclosed R600,000 investment in C-Rock Mining while still an employee of Rockwell which was only uncovered by forensic audit.
- This high level Rockwell employee that signed the alleged Service Level Agreement also verbally undertook to repay certain tax penalties of C-Rock Mining. This employee knowingly entered into this verbal agreement without any authority and hid its existence for more than a year, as shown in a forensic report.
- C-Rock claimed for full payment of construction of the wet plant at Wouterspan. The construction contract calls for payment only upon final acceptance after plant completion and commissioning. The wet plant had not been completed, thus the mechanism to trigger payment for the plant has not been reached. In addition, the Company has spent several millions completing it in the last four months to mitigate C-Rock abandoning the project in October 2016. Moreover, the value of the wet plant has been significantly overstated in the C-Rock claims, as determined by an independent accredited estimator in a 258-page report also filed on March 20, 2017.
- C-Rock claimed certain full month mining invoices for very limited mining activity in September and October 2016 (3,000 and 12,000 cubic metres respectively). The Company has determined that the Contract Mining Agreement is void ab initio after it was discovered by forensic auditors that several gross irregularities took place during the adjudication and award process, which appears to amount to bid rigging, all as formally documented in a forensic report filed on March 20, 2017. These irregularities were committed, in email trails, by the same Rockwell employee who also had an undisclosed financial and commercial interest in C-Rock Mining at the time, after having invested in C-Rock in October 2015 while still an employee of the Company. Formal complaints have been laid with his professional bodies and a fraud complaint has been laid against him with South African Police Service.
- Rockwell RSA, Saxendrift and HC van Wyk have substantial claims against C-Rock Mining for damages due to contract performance defaults and damages to equipment in November 2016, as documented in independent engineering reports filed on March 20, 2017. The quantum of these claims, if accepted would extinguish any and all claims that C-Rock Mining can reasonably have against the companies, which leads the Company to believe that they have no standing to bring any liquidation claim.
- Placing any company into liquidation would likely cause the mining rights held by any of the companies to lapse causing material destruction of value and loss of employment.
- Moreover, 96% of creditors by value opposed C-Rock's application, whose opposition was filed as supporting evidence in the affidavits on March 20, 2017. The Company has arranged for \$8M in new financing, completed the wet plant, sold redundant assets, and transferred liabilities with respect to those assets resulting in an aggregate improvement in financial position of ZAR300M (CAD \$30M). The Company filed pro-forma financial statements, prepared by its auditors, to show the impact on the solvency of the three companies of these transactions, on March 20, 2017.

Notwithstanding this substantial rebuttal evidence, in a hearing on 23 March 2017, Judge Williams declined to entertain the application for condonation by Rockwell RSA, HC van Wyk and Saxendrift, but instead granted an order for provisional liquidation of Rockwell RSA, HC van Wyk and Saxendrift. Such order was based only on the allegations made by C-Rock in their founding affidavits. The judge did not entertain nor hear any affidavits or evidence provided by the Company showing serious disputes of fact. As the judge did not hear the affidavits filed on March 20, 2017, she did not hear the evidence of further significant investment in the three companies, the forensic reports nor the extent of the creditors' support. Judge Williams did not however grant a final liquidation order but rather decided that the matter of condonation and liquidation will be dealt with on the current return date of June 22, 2017. Counsel for C-Rock Mining already indicated that he will not be opposing the condonation application, meaning that the matter will be heard on the full merits of the case.

The order granted by Judge Williams is only a provisional order and although this is not unusual, it is quite unusual that it would be issued without considering the opposing papers, specifically when it contains forensic evidence of highly irregular and collusive activity. The Company believes that the subsidiary companies do not in the slightest comply to criteria required for liquidation, and the Company has been advised that its bank and most of the creditors will oppose the application at final hearing.

As in the spoliation case with C-Rock Mining, last November 2016, which the Company initially lost and then won on final hearing, Rockwell RSA, Saxendrift and HC van Wyk are convinced about the merits of their case, and the damages suffered by them, and will oppose this provisional order vigorously. The Company believes that C-Rock Mining clearly chose the liquidation process to expedite spurious disputes.

Rockwell has made significant commercial progress over the last 4 months, and is now less than 3 weeks away from completion of the Wouterspan plant. It will be ramping up production of the mine to full level during the month of April, thus completing the turnaround plan announced in November 2016.

In the light of the above, the Board of Rockwell are considering all legal and practical avenues to protect the business, its employees and its important counterparties such as creditors and suppliers, since the commissioning of the Wouterspan plant is about to go into full production and the fruits of months of hard work will be delivered over the next quarter.

About Rockwell Diamonds:

Rockwell is engaged in the business of operating and developing alluvial diamond deposits. The Company also evaluates consolidation opportunities that have the potential to expand its mineral resources and production profile and provide accretive value to the Company.

Rockwell is known for producing large, high quality gemstones comprising a major portion of its diamond recoveries. This is enhanced through a beneficiation joint venture that enables Rockwell to participate in the profits on the sale of the polished and certain re-traded diamonds, which are not beneficiated.

Rockwell has set a strategic goal to become a mid-tier diamond production company. In pursuit of this goal the Company has embarked on a strategy to grow its Middle Orange River ("MOR") operational base and minimise production and recovery volatility by setting a medium term target to process 500,000m³ of gravels per month from its MOR operations.

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 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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