

VANCOUVER, June 14, 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 May 31, 2016:

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

Salient features

- Strategy - Rockwell continues to pursue its medium term target to process 500,000m³ of gravel per month in the Middle Orange River ("MOR"). Immediate focus is on:
 - the construction and commissioning of the plant at Wouterspan ("WPC") by August 2016,
 - continuous improvement of mining throughput at Remhoogte ("RHC"),
 - the cost effective wind down of Saxendrift by August 2016, and
 - the transition to an outsourced mining contract to externalize mining volumes and equipment risk.
- Volumes - were up 32% on Q1 2016 and 7% on Q4 2016, chiefly due to substantially higher volumes mined and processed at RHC.
- Grades - MOR grades were up 12% on Q4 2016 owing to better recoveries from the middlings material at Saxendrift (which was up 21%) mitigating a drop in grades at RHC (down 11%).
- Carat sales - 4,880 carats, up 3% on Q4 2016 and 59% Q1 2016.
- Value of sales - increased 31% from Q4 2016 and 67% on Q1 2016, to US\$9.1 million (excluding beneficiation). Total sales (including royalty contractors' production but excluding beneficiation) were also up by 31% on Q4 2016 and 40% on Q1 2016.
- Average price per carat - improved by 27% on Q4 2016 to US\$1,864.
- Notable recoveries - thirty +20-carat stones recovered at Saxendrift and RHC, with the three largest stones being +96, +90 and +60.
- Rough diamond inventory - 997 carats were carried over into the second quarter of fiscal 2017 (including royalty contract goods).
- Safety - at May 31, 2016, the Company had achieved 1,500,000 lost time injury free hours ("LTIFH") at its MOR operations.
- Construction - progress continues on the Wouterspan project, with construction almost completed, and commissioning scheduled from August.

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

"Our performance in the first quarter of fiscal 2017 is reflecting the effects of the improvements that we have been implementing, following the strategic interventions of late FY 2016. Productivity has been enhanced on our operations with the result of improved diamond recoveries and diamond values.

While operations are continuing to wind down at Saxendrift, production at Remhoogte is now stabilising after a challenging third and fourth quarter, previously reported. The positive impact of the new in-field screening capability installed at RHC late in FY 2016 and improving EMV availability is reflected in the notable increase in volumes mined and processed at RHC (up 30% and 42% respectively compared to Q4 2016). Average per carat values at RHC increased by 32% to \$1,944 per carat, owing to the recovery and incidence of larger stones which normally follows in turn to increased processing volumes. Our MOR sales are up 31% on the previous quarter and 67% on the same period last year. However, the demand for 10+ stones remained softer throughout the quarter, due to lower demand.

In May we took a decision to outsource our mining processes on a fixed, pay-per-volume delivered basis. Accordingly, we have initiated negotiations on a new contractual arrangement, which will transfer the maintenance, availability and volume risks related to earth moving fleet availability to the mining service provider. This new arrangement represents a fundamental change to our business and operating model, which we expect will bring about further improvement.

We are pleased with the progress on the Wouterspan project. Early stage mining has so far produced a 100,000m³ stockpile, with which we can commence early commissioning of the wet processing plant, whilst construction of the Phase II In-Field Screening plant is being completed.

We remain focused on rebuilding our MOR production profile, and our exploration efforts to identify new value opportunities with potential to add to the Company's resources will continue on the properties surrounding Wouterspan. We will also continue to evaluate new projects and value accretive consolidation opportunities."

PRODUCTION REVIEW

Volume and carat production for total Company owned properties to May 31, 2016 were as follows:

	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Volumes processed (000m ³)	865	788	10	789	10	3,214
Carats produced (carats)	5,688	3,025	88	4,726	20	18,984
Grade (carats/100m ³)	0.66	0.38	74	0.60	10	0.59

Figures above include royalty mining contractors. Refer to Appendix 1 for additional information

- RHC: First quarter volumes processed were up 42% from Q4 2016 and carats recovered increased by 25%, while grade declined by 11% to 0.67 cphm³. A total of 3,596 carats were recovered from this property in the quarter, including 18 plus 20-carat stones (with the largest stones being a 96+ from the Remhoogte plant and a 92+ from the Holsloot plant). An average stone size of 4.80 ct/stn was achieved at a bottom cut-off of 5 mm.
- Saxendrift: The volume of gravel processed was down 12% from Q4 2016, as the operation approaches its end of economic life, while the reported grade of 0.40 cphm³ was up 21% (from 0.33 cphm³). Quarterly carat production improved by 8% to 1,705 carats. Notable recoveries included 12 plus 20-carat stones, with the largest being a 60+. An average stone size of 4.39 ct/stn was achieved at 5mm bottom cut-off, with additional 114 incidental stones recovered.
- Royalty contractor mining: A total of 386 carats were recovered in the first quarter by royalty mining contractors processing tailings at Saxendrift and Saxendrift Hill Complex. Contractor recoveries featured 2 stones above 20 carats.

SALES REVIEW

Diamond sales for total Company-owned properties to May 31, 2016 were as follows:

	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Sales value (US\$000's)	9,347	6,687	40	7,131	31	28,713
Carats sold	5,191	4,671	11	4,925	5	18,976
Average price (US\$ per carat)	1,801	1,432	26	1,448	24	1,513

Figures above include royalty mining contractors' goods. Refer to Appendix 2 for additional information

- Saxendrift: Diamond sales remained stable compared to Q4 2016 at US\$2.6 million, but declined 39% compared to Q1 2016. A total of 1,557 carats were sold, down 14% on Q4 2016, at an average value per carat of US\$1,694 (which was up 16% from Q4 2016). The value increase can be attributed to the change in composition of the middlings, with better quality gravels being mined and a higher incidence of larger stones.
- RHC: Diamond sales were up 50% on Q4 2016, at US\$6.5 million, from the sale of 3,323 carats (up 14% on Q4 2016). The recorded average value of RHC goods increased by 32% on Q4 2016 to US\$1,944 per carat. The improvement in value is a consequence of the increased volumes of gravel processed.

Appendix 1: Volumes and carat production for the Company's owned mines and its royalty mining contractors for the three months ended May 31, 2016 were as follows:

Volume Mined (000m ³)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	536	749	(28)	490	9	2,249
NJK	-	104	(100)	-	-	104
RHC	399	-	100	307	30	943
Total	935	853	10	797	17	3,296

Volume processed (000m ³)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	430	536	(20)	486	(12)	1,980
NJK	-	63	(100)	-	-	63
RHC	361	1	100	255	42	908
Total	791	599	32	741	7	2,951
Contractors' mining*	74	188	(61)	48	54	263
Grand total	865	787	10	789	10	3,214

Carats produced (carats)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	1,705	2,556	(33)	1,584	8	8,335
NJK	-	431	(100)	-	-	431
RHC	3,596	41	100	2,866	25	8,056
Total	5,301	1,398	279	4,450	19	16,822
Contractors' mining*	386	1,627	(76)	276	40	2,162
Grand total	5,688	3,025	88	4,726	20	18,984

Grade (carats/100m ³)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	0.40	0.48	(17)	0.33	21	0.42
NJK	-	0.69	-	-	-	0.69
RHC	1.00	3.75	(73)	1.12	(11)	0.89
Total	0.67	0.23	191	0.60	12	0.57
Contractors' mining*	0.52	0.87	(40)	0.58	(10)	0.82
Grand total	0.66	0.38	74	0.60	10	0.59

Appendix 2: Sales for each of the Company's own mines and its royalty mining contractors for the three months ended May 31, 2016 were as follows:

Carats sold (carats)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	1,557	2,383	(35)	1,820	(14)	8,478
NJK	-	685	(100)	-		685
RHC	3,323	-	100	2,912	14	7,791
Total	4,880	3,068	59	4,732	3	16,954
Contractors' carats**	311	1,603	(81)	193	61	2,022
Grand total	5,191	4,671	11	4,925	5	18,976

Value of Sales (US\$ 000's)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	2,637	4,326	(39)	2,651	(1)	14,435
NJK	-	1,109	(100)	-		1,109
RHC	6,459	-	100	4,297	50	11,339
Total	9,096	5,435	67	6,948	31	26,883
Contractors' carats**	251	1,252	(80)	183	37	1,830
Grand total	9,347	6,687	40	7,131	31	28,713

Average Price (US\$/carat)	Q1 F2017	Q1 F2016	% Change	Q4 F2016	% Change	F2016
Saxendrift Complex	1,694	1,816	(7)	1,456	16	1,703
NJK	-	1,619	100	-	-	1,619
RHC	1,944	-	100	1,475	32	1,455
Total	1,864	1,772	5	1,468	27	1,586
Contractors' carats**	806	781	3	949	(15)	905
Grand total	1,801	1,432	26	1,448	24	1,513

* "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 recognises 100% of the revenue on sale. The contractual 89.5% of the sales value, payable to the contractor, is recognised as production costs in the statement of profit and loss.

** "Contractors' carats" 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 recognises 100% of the revenue on sale. The contractual 89.5% of the sales value, payable to the contractor, is recognised as production costs in the statement of profit and loss.

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 rough 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 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.](#)

Contact

on Rockwell and its operations in South Africa, please contact: James Campbell, CEO, +27 (0)83 457 3724; David Tosi, PSG Capital - JSE Sponsor, +27 (0)21 887 9602