

VANCOUVER, July 12, 2016 /CNW/ - [Rockwell Diamonds Inc.](#) ("Rockwell" or the "Company") (TSX:RDI; JSE:RDI) announces results for the three months ended May 31, 2016.

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

Salient features

- Gross profit - \$3.3 million before amortisation and depreciation for the first quarter of fiscal 2017.
- Rough diamond revenues - up 41% year-on-year and 20% on Q4 2016.
- Average cash operating costs on a unit basis - down 29% year-on-year
- Wouterspan ("WPC") processing plant - commissioning expected to commence at the beginning of August 2016.
- MOR grades - substantially improved from the previous year, to 0.67 carats/100m³ of gravel processed, reflecting the results of the Remhoogte-Holsloot ("RHC") acquired May 2015.
- MOR revenues - up 67% year-on-year and 31% quarter-on-quarter.
- Average price per carat - increased by 27% on the previous quarter from own operations.
 - Two stones larger than 90 carats were recovered at RHC.
- Exploration - mapping and pitting programmes continued on RHC and on properties around WPC.
- Safety - As at May 31, 2016, Rockwell had achieved 1 500 000 lost time injury free hours at its MOR operations. Sadly, a fatality occurred on 23 June 2016 at a contractor's operation on the SHC property.

FINANCIAL HIGHLIGHTS

\$ million unless otherwise stated	Q1 2017	Q1 2016	% Change	Q4 2016	F2016
Total Revenue	12.5	9.2	36%	10.4	47.3
Rough diamond sales	12.1	8.6	41%	10.2	37.7
Beneficiation	0.4	0.9	(56%)	0.2	9.6
Average price per carat sold (US\$)	1 801	1 432	26%	1 448	1 513
Gross (loss) profit before amortisation and depreciation	3.3	(3.1)	206%	(0.2)	0.4
Average cash operating cost / m ³ (US\$)	9.26	13.09	(29%)	9.1	11.4
Cash generated / (used) in operations	1.7	(5.1)	133%	(4.6)	(4.2)*
Profit / (loss) attributable to owners of the parent	0.6	(5.1)	(112%)	(17.4)	(28.3)
Net Cash and cash equivalents	(0.1)	(1.3)	92%	(1.3)	(1.3)

* Net of debt repayments

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

"Rockwell has begun fiscal 2017 with a significantly changed operational profile from just one year ago. Niewejaarskraal has been placed on care and maintenance, Tirisano sold, Remhoogte & Holsloot (RHC) acquired and, against most expectations, Saxendrift is still in production, albeit at a reduced rate and grade.

Fiscal 2016 was a challenging time of change and restructuring. Our substantially improved results for the first quarter of fiscal 2017 reflect the benefit of the strategic interventions of late fiscal 2016. Enhanced productivity on our operations has resulted in improved diamond recoveries and diamond values, which have translated in increased diamond revenues, on both a year-on-year and quarter-on-quarter basis.

Production at RHC is stabilising after a difficult six months, as reported in fiscal 2016. The drilling and pitting results at RHC indicate significantly less Rooikoppie gravels, but potentially significantly more Palaeo gravels than previously thought. Further work is underway to refine the Palaeo estimates, which will be reported in the next quarter; meanwhile the mine plan for the next six months at RHC has been amended to accommodate these findings.

We are encouraged by the steady progress on the re-commissioning of Wouterspan which should commence initial operational

ramp-up in August, 2016. We are confident that our renewed MOR operational profile will enable us to process 350,000 m³ of gravel per month before the end of fiscal 2017.

We still have some challenging quarters ahead as we consider transitioning RHC to Palaeo gravels and ramp up Wouterspan and work to deliver on our pipeline of new opportunities which should deliver additional flexibility and move us towards our goal of being sustainably profitable.

The outlook for the diamond market is stable for the remainder of fiscal 2017, and the underlying fundamentals remain strong".

Financial review

- **Revenue:** The Group reported a 41% increase in rough diamond revenues at \$12.1 million (Q1 F2016: \$8.6 million), chiefly due to the contribution of new production from RHC, where better mining and processing volumes were achieved during the quarter. With beneficiation revenue down 56% at \$0.4 million (Q1 F2016: \$0.9 million), this resulted in total revenues increased by 36% to \$12.5 (Q1 F2016: \$9.2 million). Compared with Q4 2016, total revenues were up by 20% reflecting the gains that are being made in productivity on Rockwell's operations.
- **Production Costs:** The Group's consolidated average cash operating costs for the first quarter at its MOR operations was US\$9.26 (Q1 F2016: US\$13.09; Q4 F2016: US\$9.10) per cubic metre processed. The average total cash cost (including royalty payments) for all the operations for Q1 F2017 amounted to US\$9.50 per cubic metre processed (Q1 F2016: US\$14.07).
- **Cost of sales before amortization and depreciation** decreased to \$9.2 million (Q1 F2016: \$12.3 million), mainly due to the impact of the substantial restructuring that has taken place since last year, and the costs associated with closing NJK in the prior year.
- **Gross (loss) profit before amortization and depreciation:** A profit of \$3.3 million was reported by the Group for Q1 F2017, which compares to a loss of \$3.1 million for Q1 F2016. MOR carats sold were up 59% on the previous year, and MOR revenue per carat increased 5% to US\$1,864 (Q1 F2016: US\$1,772).
- **Profit attributable to owners of the parent** of \$0.6 million (Q1 F2016: \$5.1 million loss) reflecting the improved operational performance in the current year, and the impact of closure of NJK in the comparative period last year.
- **Net cash position:** At May 31, 2016 the Group had net cash and cash equivalents of (\$0.1) million overdraft (FY F2016: (\$1.3) million overdraft; Q1 F2016: (\$1.3) million overdraft).
- **Middle Orange River ("MOR") operating performance:** Volumes mined from Rockwell's MOR operations during the quarter totalled 0.9 million m³ (Q1 F2016: 0.8 million m³); this was up 10% year-on-year, due to production from RHC compensating for the reduction of operations at Saxendrift and the closure of NJK. Gravel processed was up 32% year-on-year at 0.8 million m³ (Q1 F2016: 0.6 million m³), chiefly owing to higher volumes processed at RHC.

Market update

The diamond market remained stable during Q1 F2017, after some price recovery in the open market at the beginning of the year. De Beers had two sights during this period; Sight 3 featured increased quantities compared with Q1 2016 and stable prices, while quantities in Sight 4 were reduced by 5.5% compared with Sight 3. Prices for Sight 4 were stable, and Sightholders achieved single digit premiums on most boxes. Alrosa maintained prices and supply over the quarter.

Secondary market demand has improved due to restocking by manufacturers, but concerns exist over a potential oversupply within the polished market once these goods reach polished inventories. Whilst polished prices have recovered a couple of percent during this quarter compared with January 2016, prices for goods sized 1ct and below are down 5% and 3ct polished prices are down 15% compared with Q1 2016.

During Q1 F2017 two major events occurred, namely the Basel and Las Vegas Shows. Attendances at both were comparatively reduced, but trading did occur albeit at reduced levels compared with prior years. Auctions during this quarter had excellent results in the rare fancy colored market, with record prices achieved, but prices on more regular gem quality diamonds were relatively low with some bargains to be found.

The outlook for the remainder of the year as we head into the summer season - which is historically a quiet trading period - should see some froth coming off the market, but there are no expectations for rough diamond prices to further reduce this year. The restrained supply by major producers and the proposed generic marketing campaign for diamonds by a Producers association has greatly assisted in maintaining the strength of retail markets.

Outlook and priorities

The re-commissioning of Wouterspan and review of the mining plan at RHC remain key priorities for the Company in the short term, as it continues to pursue its strategic processing target of 500,000m³ of gravel per month. The terms of a new contractual arrangement which will outsource mining on a fixed pay-per-volume delivered basis were approved by the Board on 8 July. Under this new arrangement, the volume risks related to EMV availability will be transferred to the mining service provider.

Rockwell remains focused on rebuilding its MOR production profile and delivering new growth opportunities. The Company

continues to evaluate new projects and value accretive consolidation opportunities. Exploration efforts to identify new value opportunities with potential to add to the Company's resources will continue on the properties surrounding Wouterspan.

Rockwell's focus continues to remain firmly on safety, with zero tolerance for complacency or deviations from Company procedures. The royalty mining contract with Direka Delwery was been terminated immediately following the fatality that occurred in June.

Priorities for fiscal 2017 include:

- Successful completion of construction and commissioning of the Wouterspan processing plant
- Effective closure of Saxendrift with seamless transition of resources to Wouterspan
- Revision of resource estimates and mine plans at Remhoogte–Holsloot, and further delineation of Palaeo gravels
- Securing prospective ground for kimberlite exploration
- Continued development of properties in the Middle Orange River

Conference Call:

Rockwell will host a telephone conference call on Monday, July 18, 2016 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) June 20, 2016 and can be accessed by dialling the relevant number in the table below and using the pass code 49744#.

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 2015.

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.](#)

Contact

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