

Rockwell Diamonds Enters Into Acquisition Agreement for Going Private Transaction

16.01.2021 | [CNW](#)

TORONTO, Jan. 15, 2021 - [Rockwell Diamonds Inc.](#) ("Rockwell" or the "Company") (JSE: RDI) announced today that it has entered into an acquisition agreement ("Acquisition Agreement") and an amalgamation agreement ("Amalgamation Agreement"), each dated as of the date of this news release, with 1274787 B.C. Ltd. ("Bristco"), a corporation existing under the laws of British Columbia and wholly-owned by Mark Bristow, a director of the Company, pursuant to which all of the outstanding common shares of Rockwell ("Common Shares"), other than those Common Shares held by Mark Bristow and any dissenting shareholders, will be exchanged for redeemable preferred shares ("Redeemable Preferred Shares") of the amalgamated corporation resulting from the amalgamation of Rockwell and Bristco ("Amalco") at a price of CAD\$0.005 per Common Share (the "Transaction").

About the Transaction

It is intended that the Transaction will be effected by way of an amalgamation of Rockwell and Bristco under the provisions of the Business Corporations Act (British Columbia) (the "Amalgamation"). Pursuant to the Amalgamation, all of the issued and outstanding Common Shares, other than those already held by Mark Bristow and any dissenting shareholders, will be exchanged, on a one-for-one basis, for Redeemable Preferred Shares of Amalco. The Redeemable Preferred Shares will then be immediately redeemed by Amalco in exchange for CAD\$0.005 per Redeemable Preferred Share payable in cash.

Rockwell has called an annual and special meeting of shareholders to be held on March 2, 2021 to, amongst other things, seek shareholder approval for the Amalgamation (the "Meeting"). The Amalgamation must be approved by the affirmative vote of (i) 66% of the votes cast by holders of Common Shares represented at the Meeting and (ii) a simple majority of the votes cast by holders of Common Shares at the Meeting (excluding shareholders whose votes are required to be excluded, including Mark Bristow, pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions).

Completion of the Transaction is subject to regulatory approvals and other customary conditions and is expected to close in early March 2021, subject to satisfaction of all conditions to closing set out in the Acquisition Agreement. Upon completion of the Transaction, it is expected that Amalco would be delisted from the JSE Ltd. and will apply to cease to be a reporting issuer under applicable securities laws in Canada.

Fairness Opinion and Formal Valuation

The unconflicted board, being the board of directors of Rockwell (the "Board") excluding Mark Bristow as a director who has interests that present actual or potential conflicts of interest in connection with the Amalgamation (the "Unconflicted Board") determined that the shareholders of Rockwell (other than Mark Bristow) should be given the opportunity to receive a cash offer in exchange for their Common Shares so long as the price is fair from a financial point of view. The Unconflicted Board understood, having received the benefit of legal advice, that any transaction would require the preparation of an independent valuation of the "affected shares" and a minority vote. Accordingly, the Unconflicted Board sought to obtain a formal valuation ("Formal Valuation") from KPMG LLP as an independent valuator and retained KPMG as financial advisor to advise with respect to the financial fairness of the Amalgamation. The Unconflicted Board has received an opinion from KPMG that, subject to the assumptions, limitations and qualifications set forth in its written opinion, the consideration of C\$0.005 per Common Share is fair from a financial point of view to Rockwell's shareholders (other than Mark Bristow) (the "Fairness Opinion"). KPMG also concluded that, subject to the assumptions, qualifications and limitations provided in the Formal Valuation, the fair market value of the Common Shares is nil as at July 31, 2020. The full text of the Fairness Opinion will be included in the management information circular prepared in connection with the Meeting. The Fairness Opinion was furnished solely for the use of the Unconflicted Board in connection with its evaluation of the Transaction and may not be relied upon by any other person or entity (including, without limitation, security holders, creditors

or other constituencies of Rockwell) or used for any other purpose.

Board Approval and Recommendation

Following its review and in consideration of, amongst other things, the Fairness Opinion, the Unconflicted Board has unanimously recommended that the Board approve the Transaction. The Board (with Mr. Bristow declaring his interest in the Transaction), following the receipt and review of recommendations from the Unconflicted Board, has approved the Acquisition Agreement, the Amalgamation Agreement and the transactions contemplated thereby, and has determined that the Amalgamation is fair to shareholders of Rockwell (other than Mark Bristow) and is in the best interests of Rockwell, and recommends to shareholders (other than Mark Bristow) that they vote in favour of the Amalgamation.

Early Warning Disclosure

Mark Bristow currently holds 1,325,517 Common Shares, representing approximately 2.41% of the issued and outstanding Common Shares. Following completion of the Amalgamation, Mark Bristow will beneficially own and control 100% of the issued and outstanding common shares of Amalco. The head office of Rockwell is located in care of its attorneys, Fasken Martineau DuMoulin LLP, at Suite 2400, 333 Bay Street, Toronto, Ontario, M5H 2T6.

Counsel and Advisors

KPMG LLP is acting as financial advisors to the Unconflicted Board and Fasken Martineau DuMoulin LLP is acting as legal counsel to the Company.

Additional Information

Full details of the Transaction are set out in the Acquisition Agreement, which will be filed by Rockwell under its profile on SEDAR at www.sedar.com. In addition, further information regarding the Transaction will be contained in a management information circular to be prepared in connection with the Meeting and filed on www.sedar.com at the time that it is mailed to shareholders. All shareholders are urged to read the management information circular once it becomes available as it will contain additional important information concerning the Transaction.

About Rockwell Diamonds Inc.

Rockwell was engaged in the business of operating and developing alluvial diamond deposits. The Company's investments and mineral property interests are located in South Africa and, although still owned by the Company, have been de-consolidated due to a loss of control and value stemming from being in liquidation since November 2016, and awaiting final liquidation proceedings in May 2021.

Rockwell's common shares are listed on the JSE Ltd. under the symbol "RDI". Rockwell is currently subject to a cease trade order by the Ontario Securities Commission and has applied to have such order revoked.

Forward-Looking Statements

Certain of the information contained in this news release constitutes 'forward-looking statements' within the meaning of securities laws. Such forward-looking statements, including but not limited to statements relating to the Transaction and the proposed Amalgamation under the Acquisition Agreement; the ability of the parties to satisfy the conditions to closing of the Transaction; the mailing of the management information circular in connection with the Meeting and anticipated timing thereof; and the anticipated timing of the completion of the Transaction, involve risks, uncertainties and other factors which may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, among others, obtaining required shareholder and regulatory approvals, exercise of any termination rights under the Acquisition Agreement, meeting other conditions in the Acquisition Agreement,

