



ABOUT ROCKWELL

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 also has a development project and a pipeline of earlier stage properties with future development potential. The operations are based on a strategy of throughput processing and technology. Rockwell continuously strives to be the lowest cost producer in the industry.

The Company is known for producing large, high quality gemstones comprising a major portion of its diamond recoveries that is enhanced through a beneficiation partnership that enables it to participate in the profits on the 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.

Rockwell's common shares trade on the Toronto Stock Exchange and the JSE Limited under the symbol "RDI".

TSX: RDI | JSE: RDI

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

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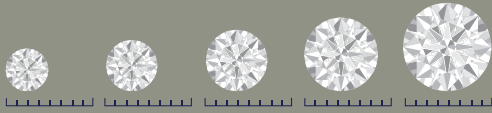
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ibc Corporate information

ROCKWELL LIVING BY THE 4Cs OF DIAMOND VALUE



CARATS

Because large diamonds are rarer than smaller ones, diamond value increases with increasing carat weight. The increase in value is not proportionate to the size increase. The price per carat rises more quickly as the stone size gets larger. Two diamonds of equal carat weight can have very different values depending on the color, clarity and cut.

Rockwell's MOR production profile is skewed towards larger stones, with an average diamond size of 4.63 carats in F2015.

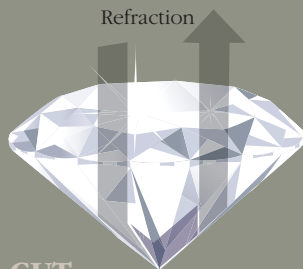


Highest quality color grade a diamond can achieve

COLOR

Diamond color refers to the lack of color in a diamond. Completely colorless diamonds are the best quality and most valuable, and brown or yellow diamonds being the lowest quality. The whiter or more colorless the gemstone, the rarer, and the higher the price. However, exceptionally rare "fancy" colored diamonds, ranging from blue, pink, red, yellow, green and brown can be more valuable.

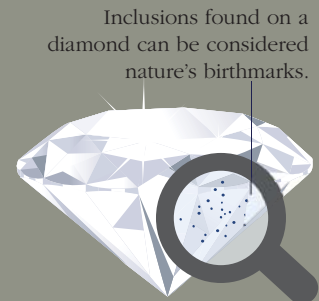
Rockwell is known for producing fancy yellow diamonds with some 20% of its typical production ranging from yellow to vivid yellow diamonds.



CUT

A diamond's cut grade relates to how well its facets interact with light. Cut is where the skill of the diamond cutter creates the maximum shine and sparkle from the rough stone. Cut is the only diamond property that is totally dependent on human intervention. A well-cut diamond is worth far more than a badly cut stone of equal weight. High workmanship is needed to craft a stone that maximizes the return of light in a diamond.

Rockwell has access to the skills of world renowned diamond cutters to maximize the value added to its rough diamonds through its beneficiation partnership with Diacore.



Inclusions found on a diamond can be considered nature's birthmarks.

CLARITY

Clarity refers to the number of flaws in a diamond, being the presence or absence of characteristics called inclusions in the diamond. Flawless stones are very rare and therefore the most highly priced. The size and severity of the flaws affects the overall appearance, grade and price of the stone. Clarity is important because diamonds with a higher clarity are more rare.

More than 80% of Rockwell's diamond production is gem quality.



SALIENT FEATURES OF 2015

Financial

- > **\$56.9 MILLION GROSS DIAMOND REVENUE:**
Up 39%
- > **37 769 CARATS SOLD:**
Up 44%
- > **US\$1 345 PER CARAT:**
Average carat value declined 9%
- > **\$11.1 MILLION BENEFICIATION REVENUE*:**
Up 172%
- > **\$68.8 MILLION COST OF SALES:**
(before amortization and depreciation)
Due to an increase in the tonnage of material mined
- > **\$0.8 MILLION GROSS LOSS:**
(before amortization and depreciation)
Due to lower revenue achieved per carat sold and high costs at Niewejaarskraal
- > **\$3.6 MILLION IMPAIRMENTS:**
Mainly related to the Tirisano mineral property
- > **\$14.5 MILLION NET LOSS:**
Versus a loss of \$10.4 million in 2014
- > **\$0.5 MILLION CASH INFLOW**
(from operating activities)

**Through the profit share agreement with Diacore*

Strategic

- > **AGREEMENT REACHED TO ACQUIRE REMHOOGTE HOLSLOOT COMPLEX (“RHC”) AND ASSOCIATED PLANT AND EQUIPMENT IN MOR:**
Early life mining properties and three fit for purpose processing plants contiguous to Rockwell's existing operations
- > **FORMAL EXPLORATION PROGRAM RESUMED: TO EXTEND INVENTORY OF IN SITU DIAMONDS:**
Initial focus on contiguous Lanyonvale and Wouterspan properties
- > **NEW BLACK ECONOMIC EMPOWERMENT PARTNERSHIP IN MIDDLE ORANGE RIVER (“MOR”) REGION:**
With MIH, a BEE investment company and a Rockwell BEE employee trust
- > **DISPOSAL OF NON-CORE TIRISANO PROPERTY: SOLD FOR \$6.4 MILLION:**
Effective 28 March 2015

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For further information
on the acquisition

Operational

- > **MOR VOLUMES MINED UP 73%**
to 4.7 million m³
- > **MOR VOLUMES PROCESSED UP 36%**
to 3.5 million m³
- > **35 717 CARATS PRODUCED:**
Up 31%
- > **THREE ROUGH +100 CT DIAMONDS RECOVERED**
- > **FAVORABLE PRODUCTION METRICS AT SAXENDRIFT:**
Volumes mined and processed up 25% and 18% respectively
- > **NIEWEJAARSKRAAL MINING ACTIVITIES SUSPENDED:**
Refining the geological model and reviewing mine plan (closed April 2015)
- > **EARTHMOVING RENEWAL PLAN IMPLEMENTED:**
Managed maintenance lease with Eqstra Holding Limited at Saxendrift and Saxendrift Hill Complex ("SHC"). Increased volumes and >20% reduction in unit mining cost
- > **SHC PROCESSING PLANT CLOSED:**
Always considered a short life project with remaining gravels being processed at Saxendrift

Strategic objectives

- > **OPTIMIZING PRODUCTION MINES** to deliver better returns by driving down costs and improving metallurgical processes
- > **LEVERAGING PRODUCTION PROFILE** through further development of assets with a focus on minimizing the dilution of existing shareholders
- > **ADDING VALUE DOWN-STREAM** from the Company's exceptional gemstone diamond production through strategic beneficiation partnerships
- > **CREATING SCALE AND CRITICAL MASS** to smooth and increase Rockwell's production and revenue profile through active management of the portfolio of properties, by acquiring select alluvial diamond projects or recycling non-productive and lossmaking assets
- > **CONDUCTING GEOLOGICAL INVESTIGATIONS**, including drilling and bulk sampling on new project areas adjacent to the existing operations

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For further information
on Mineral Resources

SUSTAINABILITY HIGHLIGHTS

Safety

> **SAXENDRIFT SAFETY HIGHLIGHTS:**

2.5 million lost time injury free hours ("LTIFH")
Recorded on January 18, 2015

Winner of Northern Cape Mine Managers Association ('NCMMA') 2014 award for best improvement in LTIFH frequency rating in mines of over 200 people in the Northern Cape

> **NIEWEJAARSKRAAL SAFETY HIGHLIGHTS:**

2.0 million LTIFH recorded on February 13, 2015

Community

> **INTERNET ACCESS SPONSORSHIP IN LOCAL COMMUNITIES:**

Partnership with local technology service provider PC World Douglas, to build and manage two Internet Cafés located in Bongani and Breipaal

> **ONGOING SUPPORT OF JANNIE ROUX HOME IN BARKLY WEST:**

Providing place of safety for more than 80 children

Workforce

> **TALENT OPTIMIZATION PROGRAM LAUNCHED:**

Included Long Service awards, re-launch of Coaching and Mentoring Program and Recommitment to Rockwell's values

> **SKILLS AUDIT: COMPLETED**

Among all employees

> **COMPANY-WIDE DIVERSITY TRAINING WORKSHOPS:**

±100 employees attended with overwhelmingly positive feedback

> **WAGE AGREEMENT WITH NUM:**

9% annual increases agreed for two year period

Environmental

> **46.4 HECTARES OF LAND REHABILITATED ACROSS ROCKWELL'S PROPERTIES**

> **15.3 MILLION KWH OF ENERGY USED**

> **117 476 LITRES OF WASTE OIL PRODUCED**

> **2.8 MILLION m³ OF WATER CONSUMED**



INVESTMENT HIGHLIGHTS: OUR SPECIAL POSITIONING

People



- ◆ Experienced leadership team with ±150 years' diamond experience
- ◆ Engaged board of directors

Product



- ◆ High quality diamonds with average values of over US\$2 000/ct
- ◆ Ten +100ct high value diamonds recovered in MOR since September 2013
- ◆ Completed transformational acquisition of RHC: Improved quality of production profile

Properties



- ◆ Properties/licenses span majority of MOR alluvial diamonds fields
 - Existing properties
 - Acquisition of RHC
 - New rights spanning >50 000ha
 - Exploration agreement at Lanyonvale

Production



- ◆ Project pipeline to achieve mid-term volume target of 500 000m³ per month for lower revenue volatility
- ◆ Potential to grow production target materially above current level

Partnerships



- ◆ Beneficiation partnership with Diacore: 50% profit share in sale of polished diamonds
- ◆ ±20% upside on annual revenues
- ◆ Includes production from all current and future projects

Potential



- ◆ Improving performance due to strategic turnaround program
- ◆ Completed acquisition of RHC
- ◆ Granted new prospecting and mining rights in MOR
- ◆ Additional consolidation opportunities under evaluation

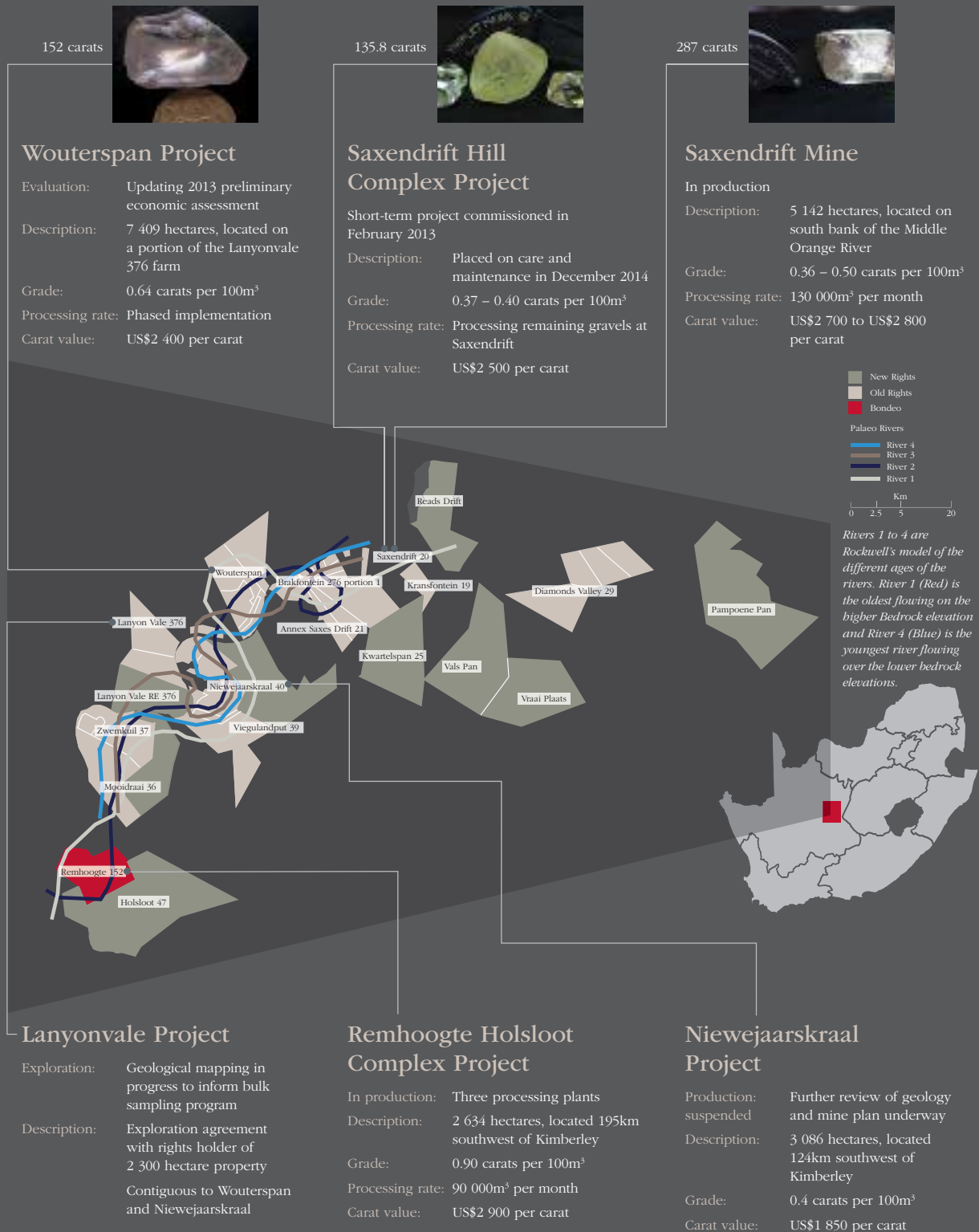
Prospects



- ◆ Strong demand for investment diamonds
- ◆ Supply deficit anticipated from 2018

ROCKWELL AT A GLANCE

The map below depicts the position of Rockwell's properties relative to the preliminary palaeo river interpretation of the MOR.



All of the resource/reserve data is based on current Technical Reports compiled in compliance with NI43-101 and which can be accessed on SEDAR



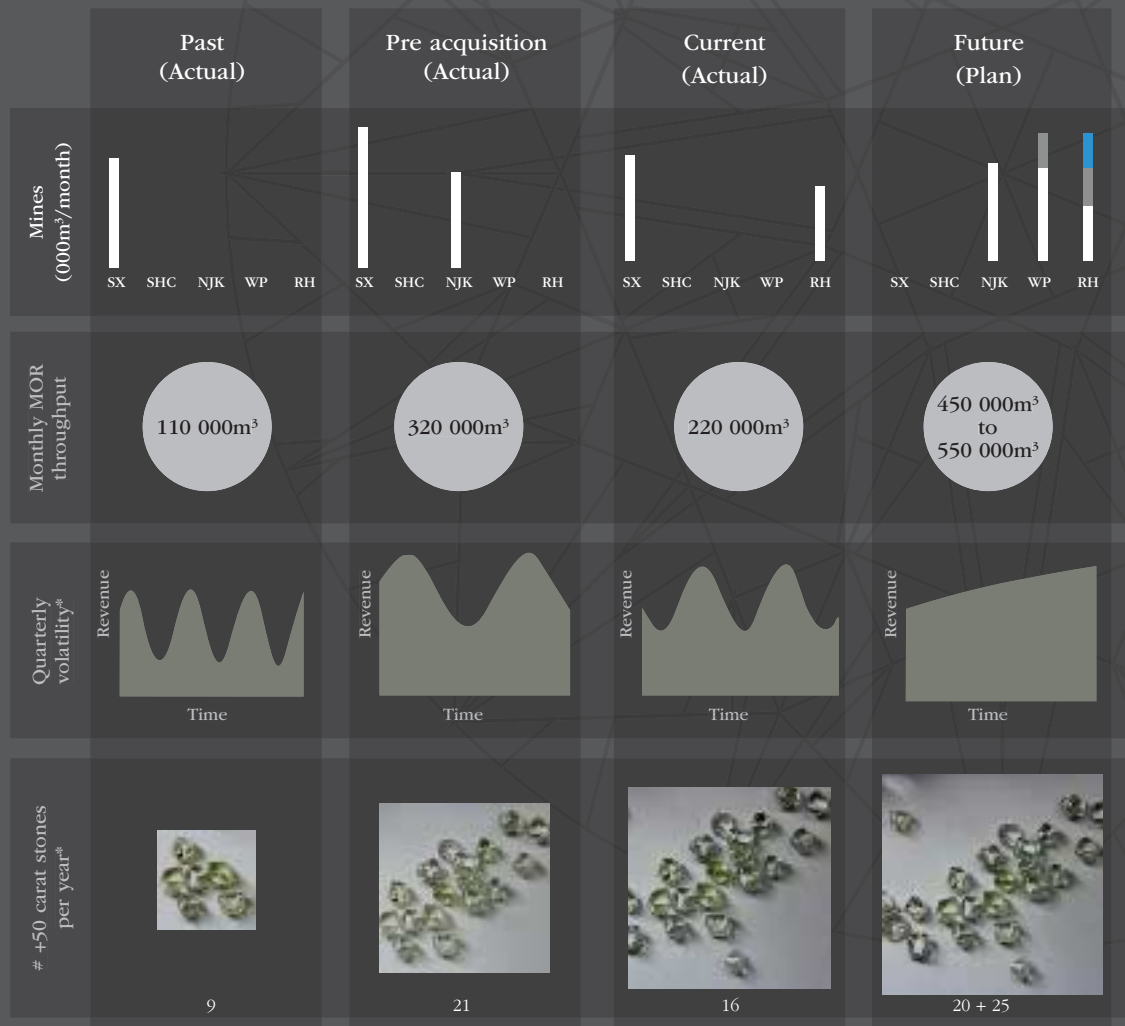
Rockwell's medium-term growth strategy is focused on the Middle Orange River ("MOR") properties where it has a good track record of profitably producing large, high valued diamonds.

Objective: To increase volumes of quality gravels mined from MOR operations to 500 000m³ per month.

Rationale underlying our strategy: An analysis of the threshold throughput volumes required from Rockwell's MOR operations to achieve lower volatility of quarterly revenue streams was carried out.

Assumptions: A grade of 0.5 cphm³ and a diamond value of \$2 200/ct (typical MOR diamond assortment and diamond size frequency distribution), with a unit cost of \$10/m³ mined

Results: Quarterly volumes processed of 1.5 million m³ enables acceptable and stable quarterly earnings profile. This is due to higher probability of stable, consistent recovery of large high value diamonds at these volumes of gravels processed.



DIAMOND VALUE CHAIN AND INDUSTRY

- ◆ Transparent open tender system through association with Flawless Trading House
- ◆ Beneficiation partnership with Diacore allows Rockwell to sell rough diamonds at market value and participate equally in profit from ultimate sale of the polished diamonds

- ◆ Exploration prioritized to increase inventory of diamonds in the MOR
- ◆ In-field evaluation of gravels to estimate resources and reserves in terms of NI-43101
- ◆ Mapping, drilling and pitting to evaluate grades and values
- ◆ Bulk sampling and/or trial mining

Sales and marketing – selling the diamonds

Exploration – finding the diamonds

Processing – producing the diamonds

Mining – moving the diamonds

- ◆ Based on fit-for-purpose technologies: Bulk X-ray; Dense Media Separation; traditional pan plants
- ◆ High volume processing plants to smooth revenue profile and minimize unit costs
- ◆ Ongoing tracer tests to ensure efficiency of diamond recovery
- ◆ Pilot projects to evaluate new technologies: Tomography (2015)

- ◆ Mine plan based on geological data
- ◆ Liberating and mining the gravels
- ◆ In-field screening to improve efficiencies
- ◆ Increasing confidence in resources to upgrade them to reserves

Diamonds are increasingly regarded as a separate investment class providing diversification benefits

- ♦ The physical value of diamonds and the relatively low long-term price volatility are seen as further investment benefits.
- ♦ Even though consumers continued to buy diamonds during the global financial crisis, with continued demand for polished diamonds at the consumer level, rough diamond prices fell by 50% as retailers, wholesalers and diamond manufacturers sold down existing inventory.
- ♦ The market however recovered quickly. Within 18 months, rough prices exceeded pre-crisis levels. The trade was forced to quickly restock in response to continued consumer demand.

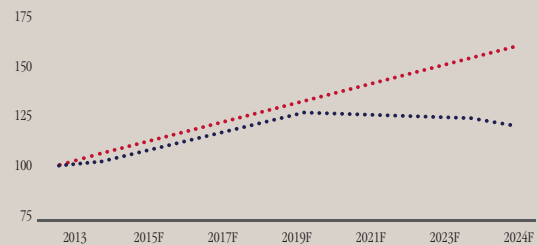
Project pipeline indicates that demand will outpace supply

- ♦ A diamond supply deficit is expected to emerge from 2018, providing long-term support for diamond prices.
- ♦ The US remains a key retail diamond market, followed by the growing markets in China and India.

Positive long-term diamond market fundamentals

- ♦ Demand for diamonds is expected to exceed supply within the next 10 years despite global economic woes.
- ♦ A limited number of new diamond projects are being brought on stream and global diamond production could go into decline by 2020.
- ♦ Demand for diamonds continues to grow, driven by the emerging middle class in developing markets, especially China and India.
- ♦ High valued, gem quality diamonds are in increasing demand by high net worth individuals as long-term investments.

Rough-diamond supply and demand outlook (indexed at 2013 prices)

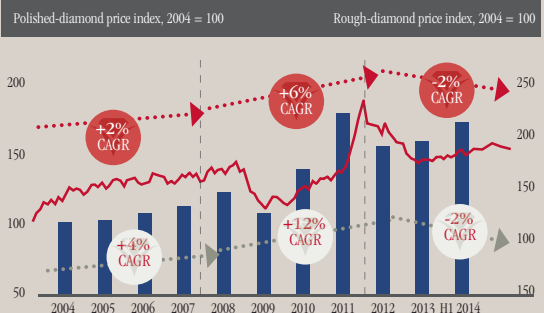


Note: Rough-diamond demand has been transformed from polished-diamond demand using historical rough-diamond/polished-diamond ratio.

Source: Euromonitor, Kimberley Process: INDEX, Tacy Ltd and Chaim Even-Zabar; publication analysis: Expert interview; Bain analysis.

Source: THE GLOBAL DIAMOND REPORT 2014, Bain & Company, December 2014.

Rough- and polished-diamond prices (indexed at 2004 prices)



Note: The CAGR for polished-diamond prices is calculated as the growth rate for the year-end or period-end prices, the price index for polished diamonds tracks stones of different sizes.

Source: PolishedPrices.com; Kimberley Process; company data; Bain analysis.



BOARD OF DIRECTORS

1.

Dr Mark Bristow

Chairman
PhD (Geology)

More than 21 years' experience in exploration, development, project and corporate finance and management in the mining sector in Africa. CEO of Randgold Resources Limited since 1995. Acting CEO of Rockwell Diamonds from December 2010 to end of May 2011. A fellow of the Geological Society of South Africa.

2.

James Campbell

Chief Executive Officer
BSc (Hons), ARSM, MBA (Dunelm)

Seasoned diamond executive with career spanning almost 30 years at De Beers and four years as managing director of African Diamonds plc. FIMMM, FSAIMM, CEng, CSci and PrSciNat.

5.

Stephen Dietrich

Director
CA(SA)

A CA(SA) and stalwart of the diamond industry with more than 20 years of financial experience, gained in various positions at De Beers. Retired from De Beers in 2009 at which time he held the position of finance director.

3.

Dr Willem Jacobs

Director
BPL (Hons), DCom

Over 25 years' experience in the engineering, mining and investment sectors, including 20 years at executive and board level positions of private and public companies. Experience in strategy, corporate finance, company turnarounds and mergers and acquisitions.

6.

Johan van't Hof

Director
CPA, CA, MBA

A qualified CA based in Canada holding an MBA with wide-ranging experience in the listed company environment, including regulatory affairs, financing, mergers and acquisitions and corporate finance.

4.

Richard J Linnell

Director
Geologist

Active in the resources and metals fields for over 40 years. Significant global experience in the development and marketing of resources and commodities. Originator of the Bakubang Initiative, a forum designed to revive the South African mining industry and which led to the establishment of the New Africa Mining Fund.


7.


Richard Peter Menell


Director
MSc (Mineral Exploration and Management), MA (Cantab) – Natural Sciences (Geology)

A 35 year career in mining, heading Anglovaal Mining and Teal Exploration & Mining up to 2008. Served as President of the South African Chamber of Mines and other boards. A non-executive director of Gold Fields Limited, Sibanye Gold Limited, Weir Group plc, Senior Advisor to Credit Suisse investment bank and a Council Member of Business Leadership South Africa.



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Remuneration committee
Richard J Linnell
Johan van't Hof
- 

Nomination committee
Dr Willem Jacobs
Richard J Linnell
- 

Audit committee
Dr Willem Jacobs
Johan van't Hof
Richard J Linnell



CHAIRMAN'S REPORT

Rockwell is in the process of rebuilding the Company's operations in the Middle Orange River ("MOR") region. We are looking to the future, integrating the newly acquired operations, managing our existing operations and delivering new organic development projects to achieve our goal of becoming a mid size diamond producer.

Following on from a reasonably successful 2014 year when most of Rockwell's legacy issues were addressed, 2015 was a difficult year. It struggled to build on its past delivery and expand its reserves in the face of declining diamond prices and deteriorating market sentiment. Access to working capital and finance, all but dried up and although the team did well to continue to support itself through operating cashflow, the Niewejaarskraal project was unable to move to the critical second phase expansion.

In addition, progress on our MOR exploration program and ongoing evaluation work on Wouterspan, was slower than planned and consequently, impacted on our plans for rebuilding the Company's operations in the MOR region.

Despite these challenges, we were able to source a real Company-changing opportunity in the form of the Bondeo 140 CC operating and exploration assets. However, an attempt in March 2015 to raise shareholder equity to afford the proposed acquisition and ongoing development of the Company failed. The Bondeo transaction was eventually closed on May 28, 2015 with the required funding of the acquisition supplied by two of its core shareholders. Despite the restrictions the Company still continued, although at a slower pace, with its ongoing exploration and project pipeline development.

Our focus has now turned to repaying the loans and working to build a stronger and more committed shareholder base, who is inclined to support our Company's development as we look to the future. Despite the



Dr Mark Bristow *Chairman*

challenges, which I am proud to say we have been able to weather, we are now in a much stronger position to focus on our strategic objective of becoming a sustainably profitable mid size diamond producer.

Looking back over the past year there have been many lessons learned. Amongst these have been the importance of ensuring return-driven investments and the application of our filters, something that will always remain challenging given the nature of alluvial deposits. Key to this is our geological understanding and our continued efforts to build on our knowledge of the MOR deposits which remains a key focus for our geology team. Our processing and engineering teams have also made significant progress in the deployment and operating of the Bulk X-ray and in-field screening processes.

Another key strategic imperative is the continual investment to replace the resources that are being mined and processed. This remains a key to ensure we have a pipeline capable of supporting a sustainably profitable strategy and allow us to deliver value to all our stakeholders.

Our initial exploration priorities are Wouterspan, with a view to replacing Saxendrift and Lanyonvale, where we have an exploration agreement. Having been granted new mining and prospecting rights, we now dominate most of the MOR diamond fields between Prieska and Douglas, including a number of greenfield opportunities.

Rockwell's management team remains focused on delivering on its target of processing 500 000m³ of economically viable



HIGH VALUED DIAMONDS

117 carat stone recovered from Saxendrift in August 2014



2014 CHAIRMAN'S VISIT

Mark Bristow discusses in pit geology with young professionals

gravels in the MOR per month, although it has a way to go before reaching this target. With the Bondeo acquisition and Rockwell's existing development projects, we now have the foundation on which to rebuild our production profile and achieve the 500 000m³ target.

The plan at RHC is to steadily ramp up throughput and further consolidate the various processing plants into one operational structure. Expansion plans also include constructing an in-field screen to increase monthly volumes to 200 000m³.

Furthermore, production from RHC provides Rockwell with headroom to rationalize its existing operations, redeploying assets to newly acquired operations and expediting work on development projects. In the medium term, we will retire those mines that are reaching the end of their economic lives, including Saxendrift, moving existing plant and EMV assets to build new operations and fresh resources from our project pipeline.

Rockwell closed the Bondeo 140 CC acquisition at the end of May 2015. The final purchase consideration was renegotiated down by some 25% to \$21.9 million and settled through a bridging loan provided by Diacore and Emerald Holdings Limited (see page 32). Having completed the transaction, Rockwell is now in the process of refinancing the bridging debt and giving other shareholders an opportunity to join us in the development of Rockwell.

Having successfully assumed control of the new operations, we have gone some way to de-risk the business and we believe the new projects, together with our exciting development projects, present potential investors with an attractive entry point. The cashflow from the new operations has already allowed Rockwell to start paying back the Diacore loan.

Having secured Rockwell's existing production inventory and renewed its exploration focus in support of its growth

objectives, the board is considering the most appropriate capital structure to deliver Rockwell's goals. We recognize its valuable management team which has wide ranging diamond expertise and the capacity to manage a larger portfolio. However, the current market capitalization is crippling its ability to accumulate additional assets, while delivering on the intrinsic value of its resources.

Despite Rockwell's high short-term gearing, we believe that the recently acquired assets provide the foundation to build Rockwell into a mid-size company. The board's aim is to seek ways to optimize Rockwell's capital structure as an enabler to unlocking this value.

While the primary focus of Rockwell's management team in the last year was on strategic and operational matters, we never lost sight of the equally important goal of creating value for the benefit of all stakeholders. We continued to mentor and develop our team of young professionals. At the GSSA Diamond Symposium, held in Kimberley in September 2014, 12 of our young geologists and metallurgists presented research posters and took the opportunity to debate their research with seasoned diamond professionals. I was privileged to engage in active debate with the young and motivated professional team during my annual Chairman's Visit to the operations in December 2014 and was impressed by the quality of their responses to technical questions and encouraged by their commitment to Rockwell's growth journey.

We also made progress with regard to the outstanding legacy issue of securing a new BEE partner. Our previous agreement with African Renaissance Holdings did not materialize, but we were delighted to forge a BEE partnership with MIH Newco, which will also benefit our HDSA employees over the longer term. MIH is a newly formed BEE investment company indirectly owned by Richard Mhlontlo and Oupa Sekhukhune. Richard, the Group Human Resource and Industrial Relations Manager

CHAIRMAN'S REPORT continued

Rockwell has come through a challenging fiscal 2015, with a number of lessons learnt. These include a focus on return driven investments, underpinned by our geological understanding and building our knowledge of the MOR deposits as well as the importance of continual investment to replace the resources that are being mined.

of Rockwell, has been a member of Rockwell's Executive Committee for four years. He played an instrumental role in the turnaround of Rockwell, in building a committed workforce as well as building solid relationships with the regulators and other key stakeholders and thus making sure that Rockwell is fully compliant with all relevant legislation. We are confident that this transaction will add significant value to our business going forward.

Finally, I remain confident in the inherent value of Rockwell and its management team's ability to close the current value gap. Having addressed a number of challenges in 2015 and delivered a transformational deal, with the support of key shareholders, we recognise that we face the same hurdles as other junior diamond producers: managing the transition from being undervalued with high potential projects requiring significant investment to our goal of becoming a profitable, mid-sized diamond production and exploration company.

In particular I thank Diacore and Rockwell's other key shareholders, partners and stakeholders for their support during this period of repositioning the Company.

To the management team and in particular my colleagues on the board, my sincere thanks for going the extra mile during the year. With your continued support and dedication, I look forward to building on our progress in 2016 and delivering on our strategic objectives in the years ahead.

With the recently acquired assets and Rockwell's own Wouterspan and Lanyonvale exploration projects the Company is now able to look to the future and deliver on its medium-term objectives of building a sustainably profitable and integrated diamond business.



OPPORTUNITIES >>

We continue to evaluate new projects and value accretive consolidation opportunities to meet our strategy to become a mid tier diamond producer.

CHIEF EXECUTIVE OFFICER'S REPORT

We believe that the Bondeo 140 CC acquisition, together with our pipeline of development projects, presents potential investors with an attractive entry point.



James Campbell *Chief Executive Officer*

Overview

The 2015 fiscal year was a challenging one for Rockwell, where we remain focused on the Middle Orange River ("MOR") region of South Africa. This area is known for the production of large, high value alluvial diamonds and where Rockwell has a track record for the recovery of such diamonds. The sale of the non-core Tirisano property, subsequent to year-end, completed this process. We continued to pursue our mid term growth objective of processing 500 000m³ of quality gravels in the MOR with determination during 2015.

However, we faced a number of challenges, not least of which has been our weak balance sheet and a lack of funding for our growth projects, a factor affecting most players in the junior mining space:

- ♦ At Saxendrift we implemented a plan to renew our aging earthmoving fleet, without any requirement for upfront capital. This enabled us to immediately increase volumes and reduce our unit mining costs, the benefits assisted us in mining lower grades at higher stripping ratios. We are now mining the last of the economically viable gravels and a primary goal of our current exploration program (see page 28) is to identify the replacement for this property, which is likely to be Wouterspan.
- ♦ Saxendrift Hill Complex ("SHC"), always considered as a short-term project, was placed on care and maintenance, on the back of softer diamond prices and depletion of the viable resources to sustain the processing facility. The remaining resources are being processed at Saxendrift, yielding processing synergies.

- ♦ At Niewejaarskraal the funding constraints impacted our ability to ramp up the plant capacity to 180 000m³ considered to be the minimum throughput to achieve positive returns on the project. We suspended operations, early in fiscal 2016 and are evaluating the way forward with additional geological and metallurgical studies.

Notwithstanding a 51% year-on-year increase in revenue, underpinned by a 39% increase in diamond sales and beneficiation revenue, which was up 172% from the prior year, business remained tight although the Company continued to source affordable growth opportunities and expand its portfolio of mineral rights along the MOR.

Towards year-end, we were able to secure the opportunity to acquire Bondeo 140 CC's interests (see page 30) which was subsequently closed on May 28, 2015. This asset brings the early life Remhoogte Holsloot Complex ("RHC") into the Rockwell stable, along with three state-of-the-art processing plants and some yellow equipment with low operating hours. Being contiguous to our existing MOR properties and together with our portfolio of recently granted prospecting and mining rights spanning an area of 50 000 hectares, the acquisition is considered key to our MOR operational footprint. We believe this places us in a strong position to achieve our strategic objective of becoming a mid tier diamond producer.

Despite the limited access to funds as already mentioned we were able to expand our portfolio of exploration opportunities. With the operations now stabilized following the Bondeo acquisition we have resumed our exploration program (see page 28), which is currently focused on the

Our operations are based on a strategy of low cost, high volume throughput processing and recovery technology. Rockwell continuously strives to be one of the lowest cost producers in the industry.

135.8 CARAT YELLOW DIAMOND

Gem quality diamonds recovered from Saxendrift/SHC in December 2014 including a 135.8 carat yellow diamond

Wouterspan and Lanyonvale properties. At Nieuwejaarskraal, we are proceeding with further geological studies with a view to resuming production using amended mining and processing configurations. Our exploration team continues with our regional exploration strategy in respect of our prospecting rights portfolio.

Production and sales review

Volume and carat production for total Company-owned properties to February 28, 2015 was as follows:

Production	Year ended February 28, 2015			Year ended February 28, 2014			Change		
	Volume (m ³)	Carats	Production costs (\$)	Volume (m ³)	Carats	Production costs (\$)	Volume	Carats	Production costs
Total: Own operations	3 542 724	15 420	53 967 807	2 662 901	14 222	30 448 855	33%	8%	77%
Contractors' mining	1 839 850	20 297	14 859 578	1 098 161	13 554	8 751 577	68%	50%	70%
Total	5 382 574	35 717	68 827 385	3 761 062	27 776	39 200 432	43%	29%	76%

Diamond sales for total Company-owned properties to February 28, 2015 were as follows:

Sales, revenue and inventory	Year ended February 28, 2015				Year ended February 28, 2014				Change			
	Sales (carats)	Value of sales (US\$)	Average value (US\$/carat)	Inventory (carats)	Sales (carats)	Value of sales (US\$)	Average value (US\$/carat)	Inventory (carats)	Sales (carats)	Value of sales (US\$)	Average value (US\$/carat)	Inventory (carats)
Total: Own operations	16 484	35 692 389	2 165	562	13 782	29 530 594	2 143	1 571	20%	21%	1%	(64%)
Contractors' mining	21 285	15 105 596	710	693	12 490	9 449 127	756	1 181	70%	60%	(6%)	(41%)
Total	37 769	50 797 985	1 345	1 255	26 272	38 979 721	1 484	2 752	44%	30%	(9%)	(54%)

Processed gravel volumes from Company properties increased 43% to 5.4 million m³ comprising 3.5 million m³ from Rockwell's own operations, and the remainder processed by the royalty mining contractors. Despite an 11% decline in the grade of Company properties to 0.66 cphm³, total carat production climbed 29%, including 15 420 carats from own operations and 20 297 carats from contractors.

Carat sales from own operations declined 20% to 16 484 carats, as production transitioned into the MOR. The royalty mining contractors operating at Tirisano sold a total of 21 285 carats during the year, resulting in a 44% increase in carat sales from Company-owned properties. The value of sales from own operations was up 21% to US\$35.7 million while the average carat value rose 1% to US\$2 165. The value of sales from Company-owned properties improved 30% to US\$50.8 million.

CHIEF EXECUTIVE OFFICER'S REPORT continued

Results of operations

Saxendrift Plant¹

		Unit	F2015	F2014	Change
Production					
Volumes mined	Saxendrift Plant	000m³	3 228	2 300	40%
	Saxendrift resource	000m ³	2 270	1 818	25%
	SHC resource	000m ³	958	482	99%
Volumes processed	Saxendrift Plant	000m³	2 558	2 296	11%
	Saxendrift resource	000m ³	1 882	1 598	18%
	SHC resource	000m ³	676	698	(3%)
Average grade	Saxendrift Plant	cts/100m³	0.41	0.55	(26%)
	Saxendrift resource	cts/100m ³	0.42	0.58	(28%)
	SHC resource*	cts/100m ³	0.38	0.48	(21%)
Carats recovered	Saxendrift Plant	Carats	10 442	12 701	(18%)
	Saxendrift resource	Carats	7 849	9 338	(16%)
	SHC resource*	Carats	2 593	3 363	(23%)
Sales					
Value of sales	Saxendrift Plant	US\$m	27.3	28.1	(3%)
	Saxendrift resource	US\$m	21.7	19.9	9%
	SHC resource	US\$m	5.6	8.2	(32%)
Carats sold	Saxendrift Plant	Carats	11 526	12 004	(4%)
	Saxendrift resource	Carats	8 513	9 059	(6%)
	SHC resource	Carats	3 013	2 945	2%
Average price per carat	Saxendrift Plant	US\$	2 362	2 338	1%
	Saxendrift resource	US\$	2 543	2 194	16%
	SHC resource	US\$	1 852	2 781	(33%)
Average cash operating costs					
Per carat sold	Saxendrift Plant	US\$	2 143	1 693	27%
Per m ³ processed	Saxendrift Plant	US\$	9.65	8.85	9%
Inventory	Saxendrift Plant	Carats	245	1 332	(82%)
	Saxendrift resource	Carats	245	914	(73%)
	SHC resource	Carats	–	418	–

¹The SHC plant, which was commissioned as a short-term project early in 2013, was closed at the end of December 2014. A decision was taken to process the remaining SHC resources at the Saxendrift Plant whereby processing synergies could be derived for the remaining life of the project.

Volumes of gravel mined and processed at the Saxendrift Plant increased by 40% and 11% respectively year-on-year. This comprised gravels sourced from Saxendrift where volumes of gravel mined and processed increased by 25% and 18% respectively year-on-year and Saxendrift Hill Complex, with gravel mined increasing 99% while gravel processed was down 3% year-on-year due to high stripping ratios which eventually led to the decision to close the operation.

The monthly throughput of the Saxendrift Plant reached 200 000m³ towards the end of fiscal 2015 as we derived early benefits from the implementation of the earthmoving vehicle fleet renewal plan in July 2014.

However, in line with the diminishing mine life at both Saxendrift and SHC, we encountered a rising strip ratio on the remaining gravels together with a lower grade. Accordingly, the Saxendrift Plant achieved a grade of 0.41cphm³ compared to 0.55cphm³ in the prior year, a decrease of 26%. Carat production declined 18% to 10 442 carats made up of 7 849 carats from Saxendrift gravels, including three +100-carat stones weighing 103.1 carats; 135.7 carats and 121.6 carats. The remaining 2 593 carats originated from SHC gravels with the largest stones weighing 57.26 carats and 68 carats.



1 Loading in the pit at Saxendrift



2 Arrival of the Eqstra 992 at Saxendrift



3 Loading in the pit at Saxendrift

EMV RENEWAL PLAN



CHALLENGE

- ◆ Escalating vehicle maintenance costs and inadequate fleet operating availabilities, limiting mining performance
- ◆ Declining overall plant utilization (“OPU”)

OBJECTIVE

- ◆ Improve earthmoving availabilities to increase mining volumes
- ◆ Reduce maintenance costs
- ◆ Sweat invested processing capacity

INVESTIGATION

- ◆ Review of status quo with expert consultant
- ◆ Found that the fleet was unmatched to current and future mining requirements
- ◆ Reorganization of maintenance and asset management practices

IMPLEMENTATION >>

- ◆ Eqstra Holdings Limited was selected as EMV provider
- ◆ No upfront capital investment required
- ◆ Managed maintenance lease with a guaranteed availability of 85%
- ◆ Increased throughput at Saxendrift, monthly volumes up to 200 000m³ by the end of fiscal 2015
- ◆ Reduction in unit mining costs of more than 20%

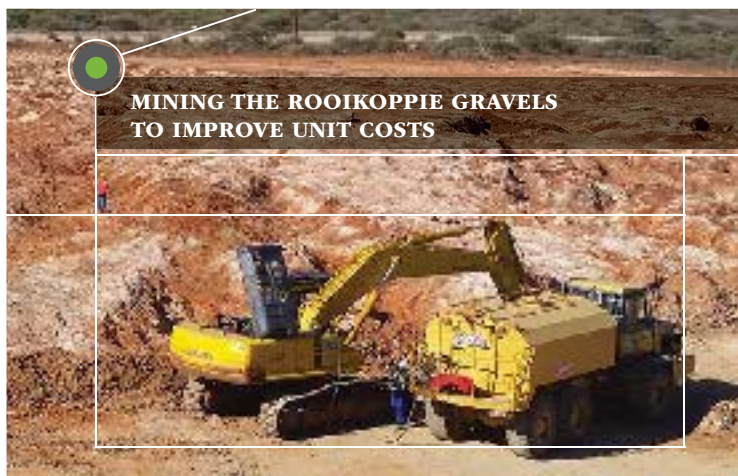
ROCKWELL IMPLEMENTED A PLAN TO RENEW ITS AGING EARTHMOVING FLEET (“EMV”) IN MID-2014

Diamond sales declined 3% to US\$21.7 million from the sale of 8 513 carats. Although the number of carats sold was 6% lower than the comparative period last year, this was offset by a 16% year-on-year increase in the average price per carat to US\$2 543.

Subsequent events: Rockwell initiated a review of its operations and resources at Saxendrift in light of declining grades. It is planning for a reduction in activities on this property, including an immediate reduction in throughput to 130 000m³ per month (from 200 000m³) which forms part of the ultimate suspension of operations at the mine.

CHIEF EXECUTIVE OFFICER'S REPORT continued

The NJK processing plant was commissioned in the middle of 2013, with a monthly capacity of 100 000m³ after completing Phase I.



Makondo (Rooikoppie) mining at Saxendrift

Nieuwejaarskraal Project

	Unit	F2015	F2014	Change
Production				
Volumes mined	000m ³	1 499	436	244%
Volumes processed	000m ³	984	302	226%
Average grade	cts/100m ³	0.51	0.38	34%
Carats recovered	Carats	4 978	986	405%
Sales				
Value of sales	US\$m	8.5	0.8	963%
Carats sold	Carats	4 958	747	564%
Average price per carat	US\$	1 706	1 107	54%
Average cash operating costs				
Per carat sold	US\$	3 171	8 934	(65%)
Per m ³ processed	US\$	16.0	20.2	(21%)
Inventory	Carats	254	239	

In the first quarter of fiscal 2015, an in-field screen and Bulk X-ray system were commissioned, increasing the plant capacity to 120 000m³. Accordingly, volumes mined and processed rose 244% and 226% for fiscal 2015. Although the grade improved 34% year on year to 0.51cphm³, this was below plan. The incidence of large, high value stones was also disappointing, with the largest stones weighing 62.2 carats and 68.6 carats. High stripping ratios also impacted the performance of the Project. This lack of performance was addressed in the short-term by mining higher-grade Rooikoppie gravels, but this did not yield larger stones either.

Diamond sales increased almost tenfold to US\$8.5 million for the year. The number of carats sold rose more than five times, with the average price per carat realized up 54%, at US\$1 706 per carat.

Funding constraints delayed further capacity upgrades to 180 000m³, the determined threshold for sustainable operations for the NJK resource and plant cost structure. The Project therefore continued to operate at a loss throughout fiscal 2015.

Subsequent events: Production was suspended in April 2015, in order to carry out further work to refine the geological model, which will inform a new mine plan when mining resumes. Plans are also being developed to upgrade the processing capacity to optimal effectiveness. The closure was not expected to have a material impact on the financial results as Nieuwejaarskraal has been incurring operating losses.

Tirisano – Royalty mining contractors

	Unit	F2015	F2014	Change
Production				
Volumes processed	000m ³	1 840	1 098	68%
Average grade	cts/100m ³	1.08	1.23	(12%)
Carats recovered	Carats	20 297	13 554	50%
Sales				
Value of sales	US\$m	15.1	9.4	61%
Carats sold	Carats	21 285	12 490	70%
Average price per carat	US\$	710	756	(6%)
Inventory	Carats	693	–	–

Tirisano contractors' sales were up 70% in carat terms whilst the average price realized per carat was down 6% to US\$710, resulting in a 61% increase in the value of sales to US\$15.1 million, of which 12.5% or US\$1.9 million accrued to Rockwell.

Subsequent events: On March 30, 2015, the Company announced the sale of all its interest in Etruscan Diamonds, which holds the Tirisano Property, for a cash consideration of \$6.4 million (ZAR60.0 million). The buyer acquired the entire issued share capital, together with claims on loan account in Rockwell's 100% owned subsidiary, Etruscan Diamonds Proprietary Limited including the Tirisano mining right and its associated infrastructure. The buyer will therefore assume debt owed by Etruscan amounting to \$3.6 million (ZAR34 million) and the related environmental liabilities. The cash consideration will be settled by way of two initial payments totaling \$2.1 million (ZAR20 million), one in March and the second in April 2015, followed by 20 equal monthly instalments of \$0.21 million (ZAR2 million).

The proceeds will be used to fund Rockwell's general working capital and investments related to acquisitions, additional exploration and ongoing development of the portfolio of mining and mineral rights. The buyers immediately took over operations.

Priorities for fiscal 2016

Our priority for fiscal 2016 is rebuilding our operational footprint on the back of the Bondeo acquisition and delivering further growth opportunities from our project pipeline as well as new business opportunities.

We plan to steadily ramp up RHC throughput and further rationalize the various processing plants into one operational structure. Expansion plans also include constructing an in-field screen at RHC to enable monthly processing volumes to be increased to 200 000m³.

We have expedited work on development projects such that we can maintain production volumes once mines reach the end of their economic lives. This will entail flexibility on moving plant and EMV assets between properties in order to build capacity on new resources from our project pipeline.

Our exploration priorities are to complete geological mapping at Lanyonvale and move towards bulk sampling at Wouterspan. The goal is to commence bulk sampling after completing a feasibility study. Both opportunities are considered to have significant potential to add to Rockwell's resource base.

We also continue to evaluate new projects as well as consolidation opportunities with the objective of meeting our strategy of becoming a mid tier diamond producer.

The royalty mining contractors operating at Tirisano delivered a positive performance in fiscal 2015, with volumes of gravel processed up 68%. Carat production was up 50% to 20 297 carats despite a 12% decline in the average grade to 1.08cphm³.

CHIEF FINANCIAL OFFICER'S REPORT

Revenue

Rockwell's revenue in 2015 was generated from the sale of rough diamonds recovered from its operations at Saxendrift, SHC and Niewejaarskraal, as well as contract mined goods at its Tirisano property which was operated by royalty miners, with a 12.5% royalty on the value of diamond sales accruing to Rockwell. Rockwell generates further revenue from its beneficiation partnership with Diacore, whereby it participates equally in the profit on the sale of the polished diamonds which are sold into this JV. The latter revenue stream traditionally adds to diamond sales to the extent of about 20% every year.

Sales of diamonds, including Rockwell's own mined goods and those from Tirisano, were \$56.9 million compared with \$41.1 million in 2014, representing a 39% increase year-on-year. This was achieved through increased production (a 44% increase in carats sold to 37 769 from 26 672 carats in the prior year), offset by a 9% decrease in average carat value (US\$1 484 to US\$1 345).

Royalty mined goods purchased under mining contracts with royalty miners at Tirisano increased to \$16.4 million (F2014: \$8.7 million) comprising 21 285 carats (F2014: 12 490 carats).

Beneficiation revenue earned through the beneficiation JV with Diacore amounted to \$11.1 million, a 172% increase over 2014 (\$4.1 million). This included the beneficiation benefit on the sale of the 109 carat Alana polished diamond which was recovered at Saxendrift in September 2013.

Total revenue was \$68.0 million, a 51% increase over the prior year.

Production costs

Production costs increased to \$51.2 million (F2014: \$32.9 million) as a consequence of increased mining volumes in the year (4.7 million m³ of material mined compared with 2.7 million m³ in 2014).

The Group's consolidated annual average cash operating costs at its three operations, was US\$11.41 (F2014: US\$10.72) per cubic metre processed. The average total cash cost (including rehabilitation and royalty payments) for all the operations amounted to US\$12.50 per m³ of gravel processed (F2014: US\$11.98).

Loss for the year

A gross loss (before amortization and depreciation) of \$0.8 million for the year was reported by the Group, compared to a profit of \$6.0 million in 2014. The decrease in profitability was driven mainly by lower revenue achieved per carat sold (due to a lower than expected recovery of large stones) and higher costs at Niewejaarskraal, as a result of higher stripping ratios on this operation.



John Shelton *Chief Financial Officer*

General, administration and business development costs increased in line with higher spend on consulting fees and transaction costs associated with business development expenses.

Impairments recognized of \$3.6 million related mainly to the lower fair value less cost to sell compared to the carrying value of the Tirisano mineral property (\$2.6 million).

The Group recorded a net loss for the year of \$14.5 million, in comparison to a loss of \$10.4 million in the 2014 fiscal year.

Operating cash flow

The Group generated \$0.5 million cash inflow from operating activities, compared with \$2.6 million in 2014 in line with reduced profitability of the Group.

Net debt

Loans and borrowings

In November 2014 Rockwell completed an offering of two-year unsecured convertible debentures in a principal amount of \$4.1 million with two related parties, namely Rockwell's largest shareholder Daboll Consultants Limited, an affiliate of Diacore (\$3 million) and with Dr Mark Bristow, Rockwell's non-executive chairman (\$1.1 million). The debentures bear interest at a rate of 5% p.a. and will become convertible, subject to the prior approval of the disinterested minority shareholders, into the same equity securities as may be issued in any equity financings completed by the Company within the first 12 months after the debentures are issued, and if no equity financings are completed, then the debentures may be converted into common shares, at the option of the debenture holder, any time in the second 12 months.

The total offering was reduced by \$0.3 million to avoid exceeding the allowable amount for the exemption from the requirement to obtain prior minority shareholder approval under Multilateral Instrument 61-101. Separate demand loan agreements were executed for this amount on similar terms to the convertible debentures, and are included in the above total (Daboll Consultants Limited: \$0.2 million and Mark Bristow: \$0.09 million).

At February 28, 2015 the Group had net cash and cash equivalents of \$0.6 million (F2014: negative cash and cash equivalents of \$1.8 million), having recorded a net movement in cash and cash equivalents of \$1.1 million including the receipt of \$1.8 million in respect of the convertible debenture issue, and after a transfer of \$0.8 million to assets held-for-sale.

Capital expenditure

The Group incurred capital expenditure of \$4.1 million (F2014: \$8.9 million), the majority of which related to major maintenance work on the Group's earthmoving fleet and plant enhancements.

Acquisition

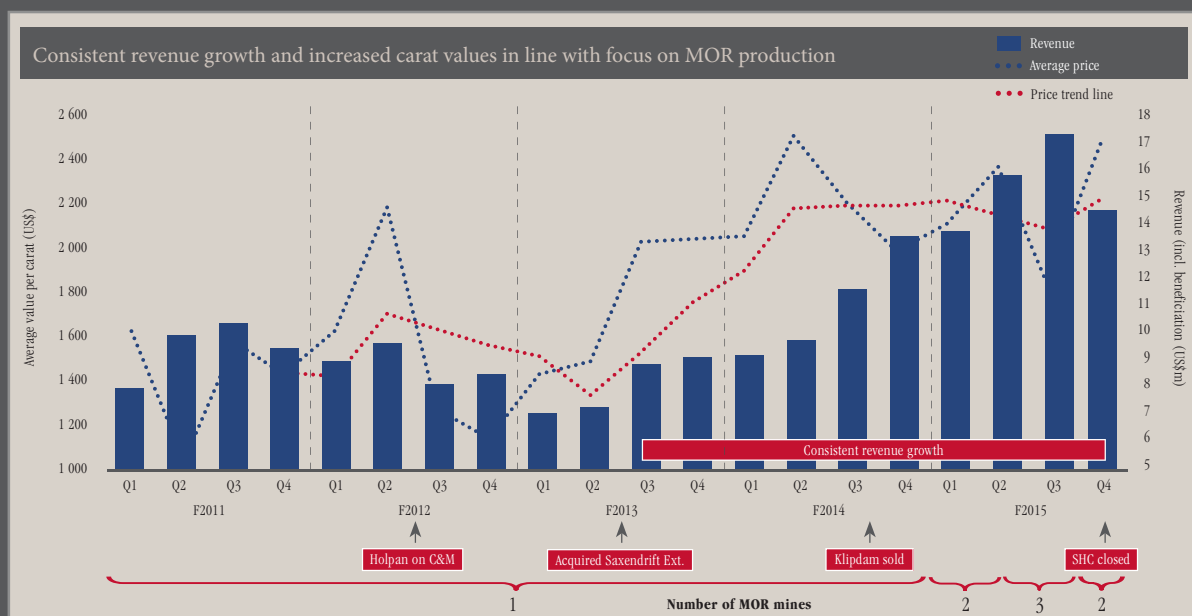
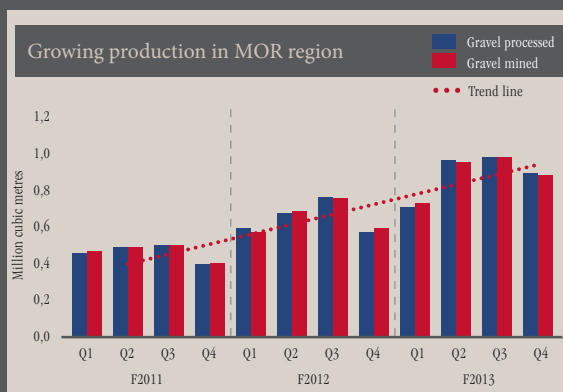
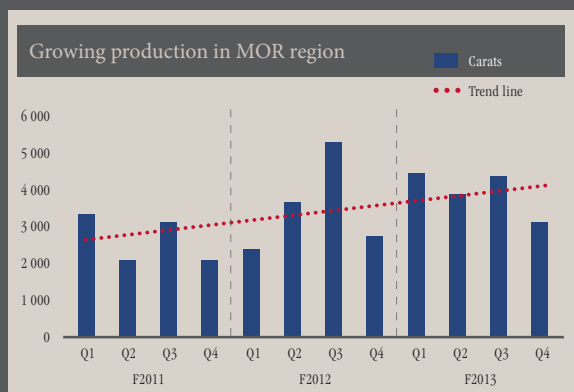
Subsequent to year-end, on May 28, 2015 the Company entered into a bridging loan arrangement with Daboll Consultants and Dr Mark Bristow totaling US\$16.0 million plus ZAR16.0 million, together with a further US\$0.5 million for working capital costs associated with the acquisition of Bondeo (see page 30). It is intended to refinance this loan later this year through a combination of debt and equity. The Bondeo assets are anticipated to be a good

cash generator, and operating cash flows will contribute favorably towards a reduction in gearing through repayment of the acquisition debt. Working capital will continue to be tightly managed in order to ensure cash flow optimization.

Outlook

Rockwell remains committed to its MOR strategy and closure of the Bondeo 140 CC acquisition is a major step forward. Integrating these assets into Rockwell is top priority and has been progressing to plan but we will continue with focus on key areas in the business; namely:

- ♦ mine planning, to secure volumes and grade, and revenue;
- ♦ fleet and plant availability, in order to optimize volumes with the consequent knock-on to unit costs;
- ♦ cost management;
- ♦ growth of the operational footprint in the MOR through ongoing exploration and development work on the Lanyonvale and Wouterspan properties; and
- ♦ opportunities for economies of scale, through operational enhancements and site diversification.



EXPERIENCED LEADERSHIP

EXCO

James Campbell

Chief Executive Officer
BSc (Hons), ARSM, MBA (Dunelm)



Seasoned diamond executive with career spanning some 30 years at De Beers and four years as managing director of African Diamonds plc. FIMMM, FSAIMM, CEng, CSci and PrSciNat.

John Shelton

Chief Financial Officer
CA (Z)



Chartered Accountant with 26 years' experience in the diamond sector with De Beers, culminating as Group Accountant. Served on various boards during his tenure with De Beers.

Glenn Norton

Group Technical Manager
BSc (Hons)



Fifteen years of geological, mineral resource management, technical and production experience in alluvial diamond deposits, diamond and coal exploration. Qualified person and PrSciNat.

Richard Mhlontlo

*Group Human Resources/
Industrial Relations Manager*
Nat Dip (HR Management
and Development)



Extensive HR and industrial relations management experience, including organizational and structural design initiatives as well as strategy development and implementation.

Jeffrey Brenner

*Diamond Marketing and
Sales Manager*



A leading international diamantaire and specialist in valuation, marketing and sales of rough diamond production from alluvial deposits.

Stéphanie Leclercq

*Investor Relations and
Corporate Development*
BSc, CFA



More than 13 years in investor relations and corporate development. Worked as a sell-side analyst and in-house investor relations practitioner across various industry sectors, including junior mining.

Senior operational management

Frans Bezuidenhout

General Manager: MOR



Career in mining spanning 45 years, including the last three years in diamond mining. Involved in mining projects in Papua New Guinea, Fiji and Ghana in Mine Manager and Project Manager capacity.

Wikus de Winnaar

Mine Manager: Nieuwejaarskraal



Active in the mining industry for 18 years, serving as Mine Manager for several projects, including Wouterspan and Saxendrift during this time. Promoted to General Manager of Rockwell's MOR Operations in December 2013.

Attie Benson

Group Risk Manager



Extensive experience in crime prevention and investigation including nine years in diamond risk management.

Mulalo Ndwammbi

Mine Manager: Saxendrift Hill Complex (SHC)
BSc (Hons) Geology



Four years' geological experience in alluvial diamonds. Candidate PriSciNat. Worked as Mining Manager and Production Manager for SHC.

George Stevens

Technical Manager: Saxendrift
BSc (Hons) Geology, SACNASP



Nine years' experience in alluvial diamond mining in roles including geology and mine management having started his career at Etruscan Diamonds in 2006.

Dr Kurt Petersen

Consulting Metallurgist
PhD (Metallurgical Science)



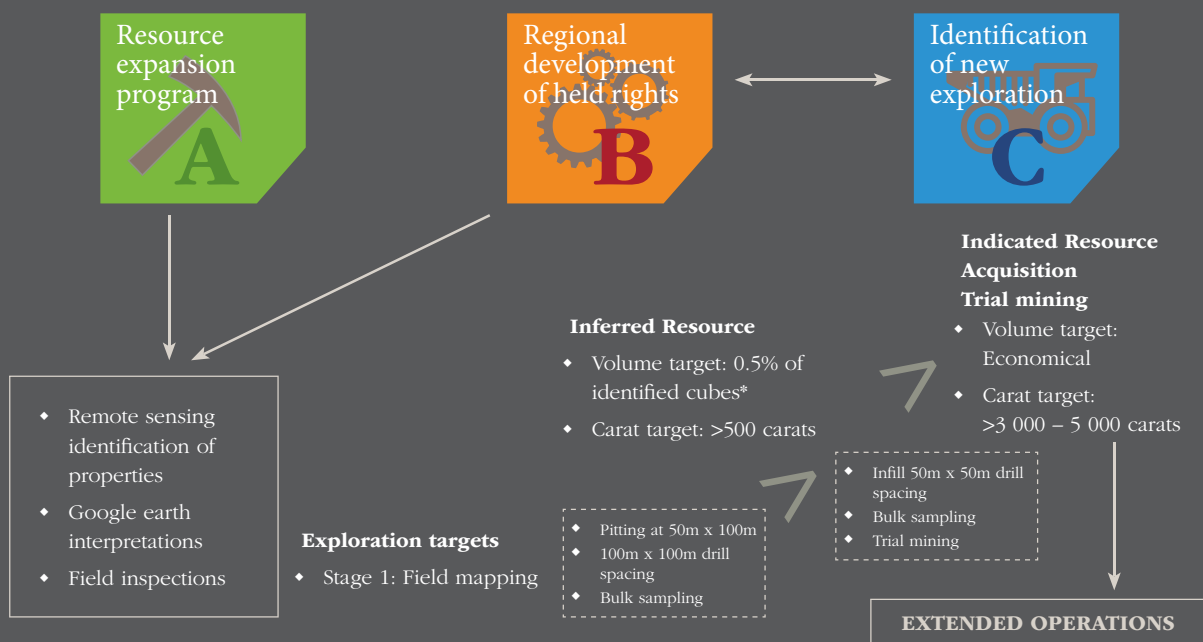
More than 14 years' experience in diamond metallurgy of both kimberlites and alluvial. Expert in plant design, diamond liberation and process performance and simulation.

ROCKWELL'S STRATEGIC REGIONAL EXPLORATION PROGRAM FOR MOR

Rockwell has formalized its exploration program in the MOR with a budget of \$0,35 million (ZAR4 million) for fiscal 2016. It comprises field mapping and geological delineation; Rooikoppie pitting and fluvial-alluvial drilling across Nieuwejaarskraal and Wouterspan properties.

The objective is to fully understand the potential of these properties in support of Rockwell's medium-term target of processing 500 000m³ per month of quality gravels in the MOR.

MOR exploration strategy



Rockwell has adopted a three pronged exploration strategy in the MOR, namely “on mine” expansion; regional development of held rights and regional development or identification of new targets.

Lanyonvale 376

Rockwell has an exploration agreement covering the Lanyonvale property which is considered to have significant potential to add to the Company's resources and mining flexibility. This agreement with the prospecting and surface rights holder spans the 2 300ha property.

Exploration has identified potentially extensive Rooikoppie and palaeo gravels and the property has been rated as highly prospective. Initial exploration work has commenced on the Lanyonvale farm and will focus on the evaluation of the Rooikoppie Exploration Targets with potential resources of three to four million m³ of gravel, followed by fluvial

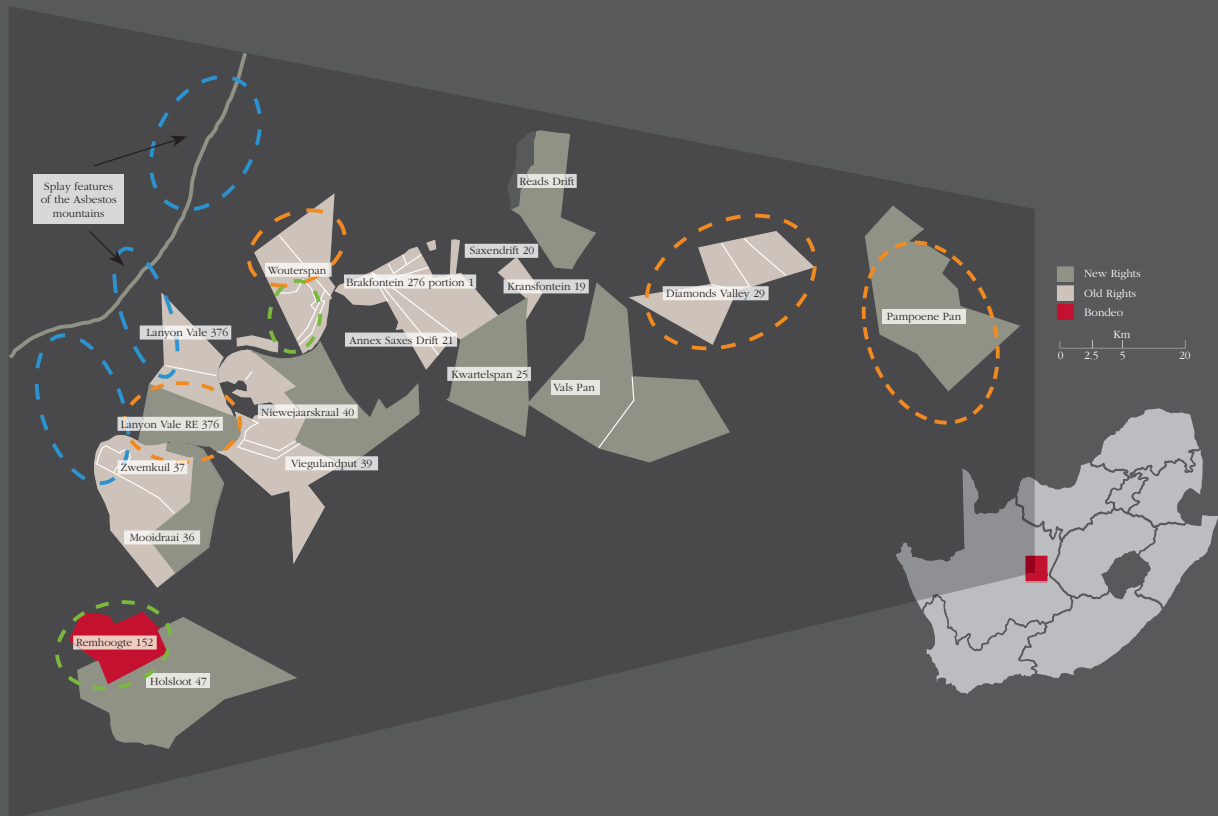
alluvial Exploration Targets with potential for one to two million m³ of gravel. Completion is targeted for the end of October 2015.

Wouterspan

At Wouterspan, further pitting of the Rooikoppie gravels at a tighter grid spacing is planned with the intention of converting the initial estimates to Indicated Resources by February 2016. This will inform an update of the preliminary economic assessment (completed in April 2013).

The initial mine plan is expected to focus on Rooikoppie mining which is economical at lower volumes. Detailed work has been completed on the regional geological model and updating the diamond value estimates as well as re-modelling the Rooikoppie resource. A provisional mine plan is being developed in order to establish conceptual economics and carry out sensitivity studies.

Exploration plan



Three pronged roll-out

A areas: Resource expansion program

- ♦ Field mapping, pitting and infill drilling will be conducted on these areas surrounding a current operation
- ♦ The goal is to identify additional gravel volume and to increase the confidence in the resource estimate, with the objective of estimating mineable reserves

B areas: Regional development of held rights

- ♦ Field mapping to identify potential gravel occurrences and exploration targets
- ♦ With approval to then initiate:
 - pitting plan on identified targets to generate a volume (Rooikoppie)
 - exploration drilling plan to identify the expanse of underlying fluvial alluvial gravels
 - bulk sampling to bring exploration target into Inferred resource (500 carats recovered and sold and 0.5% volume of intended declared resource sampled)
 - further bulk sampling and drilling/pitting to upgrade to indicated (3 000 – 5 000 carats recovered and sold and 5% volume intended declared resource sampled)
- ♦ The goal is to identify exploration targets and upgrade into resources of ± 6 million m³ per annum to align with Rockwell's mid term strategy to process 500 000m³ per month
 - Wouterspan, Swemkuil, Bo-Karoo, Diamond Valley, Moodraai, Zwenkuil and Pampoene Pan

C areas: Regional development

- ♦ Use of remote sensing to identify new potential properties
- ♦ Splay features, Sanddrift, Hospital, Magoras, Lovedale, Tweefontein

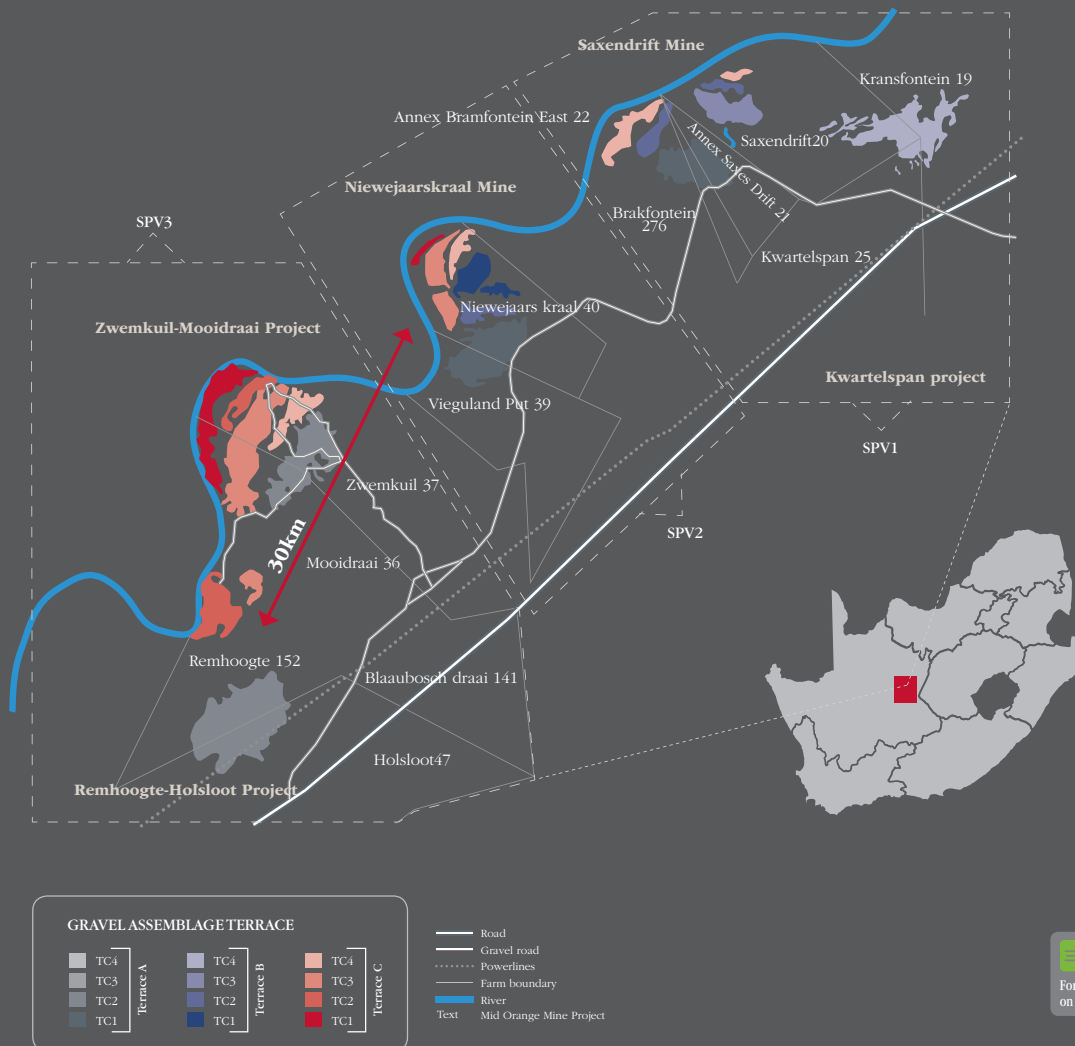
TRANSFORMATIONAL ACQUISITION IN THE MOR REGION

In January 2015, Rockwell announced that it had reached a conditional agreement to acquire certain alluvial diamond properties and associated plant and equipment from Bondeo 140 CC and its affiliates, which own and operate alluvial diamond properties.

The acquisition closed on May 28, 2015, on completing the conditions precedent for the acquisition. Rockwell immediately assumed operational control. The acquired assets are contiguous to Rockwell's existing properties and significantly enlarged Rockwell's operating and resource base, leveraging its growth in the MOR region.

Plan showing the geology of the MOR projects

The map below provides a linkage of known paleo channels from the Orange River locations correlated to the Company's properties and lead targets as well as the contiguous RHC Project comprising Remhoogte and Holsloot.



PAGES 34/35
For further information on Mineral Resources



BULK X-RAY

Bulk X-ray system at recently acquired Holsloot plant



**RHC HANDOVER TO ROCKWELL
ON MAY 28, 2015**

The Rockwell MOR team and the RHC team during handover

Assets acquired

The acquisition comprised the mining rights to the Remhoogte Property (1 585 hectares) and the Holsloot Property (1 050 hectares), three fit-for-purpose processing plants and yellow equipment with low operating hours. The new properties significantly enlarge Rockwell's operating and resource base, thus facilitating the Company's growth in the MOR region.

The Remhoogte Property and the Holsloot Property comprise early stage-of-life operations, with three processing plants, that have a current total monthly processing capability of approximately 200 000m³. The Remhoogte Property and the Holsloot Property are also considered to have further exploration potential.

The processing plant at Remhoogte, commissioned in June 2014 from all-new equipment, consists of a Bouvestnik Bulk X-ray system for the processing of coarse gravels, and a four rotary pan plant to treat the finer sized gravels. A second rotary pan plant at Remhoogte consisting of four pans was commissioned in November 2014. The processing plant at Holsloot, recently commissioned from new equipment, consists of a desanding system, a Bouvestnik Bulk X-ray system for the processing of coarse gravels and a dense media separation system for finer sized gravels.

As part of the acquisition, Rockwell also acquired earthmoving equipment in the transaction that is complementary to the Company's mining methodologies and earthmoving fleet strategy.

The equipment acquired consists of 13 excavators, three front end loaders, bulldozer and support equipment. Surplus equipment from the Saxendrift Mine has been relocated to supplement the acquired earthmoving fleet.

Resources

As announced on March 9, 2015 an Inferred Mineral Resource of 7 056 000m³ of Rooikoppie gravel at a grade of 0.9 carats per 100m ("cphm³") with an average value of US\$2 900 per carat has been estimated at Remhoogte after re-evaluating historical, geological and field mapping data; the survey of areas mined since commencement of operations on the property and the available production and sales results.

In addition, as part of its ongoing evaluation of the properties, the Company has identified an exploration target with potential for a further 3 000 000m³ to 4 000 000m³ of gravels (target grades of approximately 0.4cphm³ to 1.5cphm³ and anticipated diamond values ranging from US\$2 500 to US\$4 000 per carat). Limited sampling of the gravel has recovered 446 carats with the largest diamond recovered being a 27-carat stone.

Rockwell is planning to launch a formal exploration program at Remhoogte and Holsloot to further define the Mineral Resource by the end of February 2016.

Plans for acquired business

The increase in scale of the Company's operations in the MOR region as a result of the acquisition, provides Rockwell with opportunities to improve efficiencies in the short term through more efficient allocation of resources across a broader asset base.

At the RHC Project, operations are being standardized to Rockwell's operational template that is in place at its other existing MOR sites. In particular, it is applying its geological and technical skill in operating in the MOR region. Optimization plans could include integration of the three acquired plants.

The employees from the RHC were transferred to Rockwell to ensure continuous production, in accordance with the terms of Section 197 of the Labour Relations Act.

TRANSFORMATIONAL ACQUISITION IN THE MOR REGION continued

Purchase consideration

Having met all conditions precedent, including the required regulatory approvals¹, the acquisition closed on May 28, 2015. Rockwell paid the vendors ZAR209.95 million (approximately \$21.9 million) as follows: (i) ZAR120 million (approximately \$12.2 million) for certain mineral property rights and three operational processing plants; (ii) ZAR94.95 million (approximately \$9.7 million) in respect of earthmoving fleet and other equipment; and (iii) less the ZAR5 million (approximately \$522,500) consideration due for the sale of the Company's Saxendrift Extension property to the Vendors. The purchase consideration was settled by way of a bridging loan provided by key shareholders, being Diacore and Rockwell's Chairman, Mark Bristow.

The salient features of the bridging loan were as follows:

			
<p>The total loan amounted to US\$16 million plus ZAR16 million, of which US\$15 million and ZAR16 million was committed by Diacore and the remaining US\$1 million by Mark Bristow; together with a further US\$0.5 million as a working capital reserve for transaction costs associated with the acquisition.</p>	<p>The initial term of the loan was for three months, extendable for a further month with shareholder approval.</p>	<p>Interest payable at 1.25% per month for the first period of three months; there were no broker's or similar fees associated with this transaction.</p>	<p>Rockwell plans to refinance the bridging loan in the second quarter. Should this refinancing not be completed by the end of the term of the loan, any outstanding balance must be repaid from (up to) 25% of rough sales and (up to) 100% of beneficiation revenue.</p>

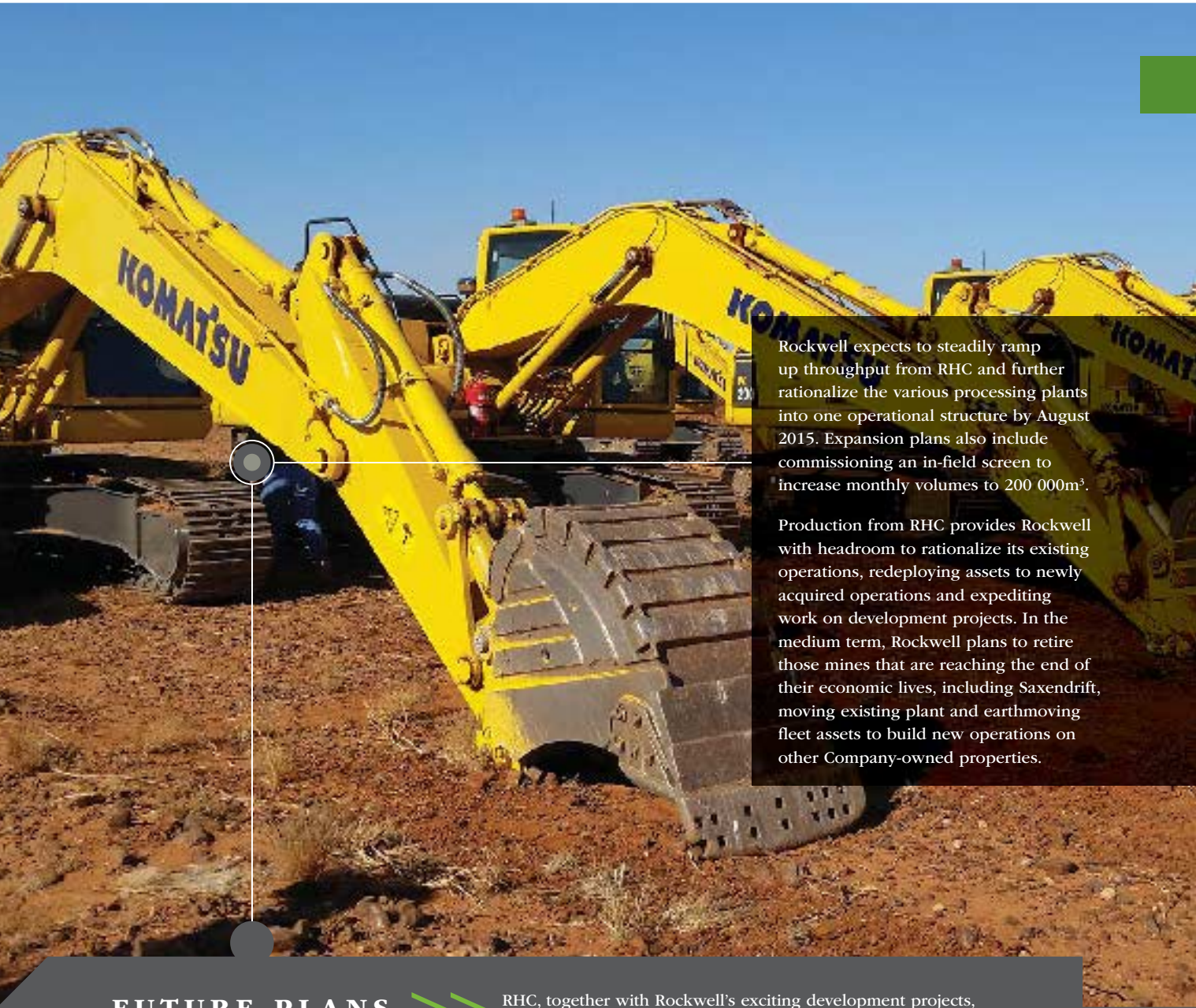
¹South African Competition Commission consent and Section 11 authorization from Department of Mineral Resources to transfer the Remboogte mineral rights to Rockwell.

Recent operational performance

Rockwell took control of the acquired business as of May 28, 2015. Operations commenced at a monthly throughput of 90 000m³, to ensure the seamless integration and rollout of Rockwell's MOR operating model. A plan to increase this processing rate after completing the integration is underway.

The first two processing plants have been in successful operation since completion of the acquisition, with the third being recommissioned in mid-June 2015. The Company

conducted plant maintenance immediately after taking over the operations to achieve full alignment with Rockwell's business objectives and safety standards. The Company also relocated a number of moveable assets, including earthmoving fleet spares and mobile infrastructure from the Niewejaarskraal property and the Saxendrift property. This transfer is in line with current plans to run the RHC at a processing throughput of 130 000m³ per month, as Rockwell processes the remaining resources at Saxendrift and SHC.



Rockwell expects to steadily ramp up throughput from RHC and further rationalize the various processing plants into one operational structure by August 2015. Expansion plans also include commissioning an in-field screen to increase monthly volumes to 200 000m³.

Production from RHC provides Rockwell with headroom to rationalize its existing operations, redeploying assets to newly acquired operations and expediting work on development projects. In the medium term, Rockwell plans to retire those mines that are reaching the end of their economic lives, including Saxendrift, moving existing plant and earthmoving fleet assets to build new operations on other Company-owned properties.

FUTURE PLANS



RHC, together with Rockwell's exciting development projects, positions us to meet our medium-term objectives.

HISTORIC RESULTS

Average diamond values, realized from the Properties, on the sale of more than 10 000 carats on the open market were US\$4 000 per carat for the eleven-month period from April 2014 to February 2015, while total sales of these diamonds amounted to US\$16.9 million. Over this period, approximately 1.1 million m³ of gravel was processed, producing 10 379 carats of gem diamonds produced at a grade of 0.9cphm³.

For the period of March 1, 2015, to May 28, 2015 277 164m³ of gravel were processed, with 4,527.84 carats produced, for a grade of 0.91cphm³ and a value of \$3 473 per carat.

MINERAL RESOURCE SUMMARY

Estimated Mineral Resources on Saxendrift Mine (as at February 28, 2015)

Mining area	Terrace complex	Bottom cut-off*	Volume m ³	Grade ct/100m ³	Value USD/ct
Indicated Resources					
Saxendrift	Brakfontein Hill ("BHC") B1 terrace	5mm	3 230 000	0.36	2 800
Saxendrift Hill	Saxendrift Hill ("SHC") B2 terrace	5mm	392 400	0.37	2 500
Saxendrift Extension	Saxendrift River ("SRC") C3 terrace	5mm	1 529 500	0.54	2 000
Total Indicated Mineral Resource			5 151 900	0.42	2 500
Inferred Resources					
Saxendrift	Brakfontein Hill ("BHC") B1 terrace	5mm	379 000	0.4	2 800
Saxendrift Hill	Saxendrift Hill ("SHC") B2 terrace	5mm	820 000	0.4	2 500
Saxendrift Extension	Saxendrift River ("SRC") C3 terrace	5mm	2 034 000	0.5	2 000
Kwartelspan Rooikoppie	Kwartelspan Complex ("KPC")	5mm	301 000	0.6	2 500
Total Inferred Mineral Resource			3 534 000	0.5	2 200

*Although the effective bcos going forward may be adjusted upward to 6mm, the average diamond values or grades will not be adjusted in order to account for the number of -6mm material that will still be recovered.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Probable Mineral Reserves estimated for the Saxendrift Mine (as at February 28, 2015)

Terrace complex	Mining block	Volume m ³	Grade* ct/100m ³	Carats	Value* USD/ct
Brakfontein Hill ("BHC") B1 terrace	Block M10	31 500	0.36	113.40	2 700
	Block M12	44 900	0.44	197.56	2 300
	Block N14	56 500	0.45	254.25	3 000
	R15 Ext	54 400	0.36	195.84	2 800
Total Probable Reserve		187 300	0.41	761.05	2 700

*Bcos = 5 mm

Inferred Mineral Resources on Nieuwejaarskraal Project (as at February 28, 2015)

Terrace complex	Resource block	Geological domain	Volume m ³	Grade* ct/100m ³	Value* USD/ct
A Terrace	Block 1	BIF-rich brown gravels	6 286 000	0.5	1 850
	Block 2	BIF-poor brown gravels	3 420 000	0.3	1 850
	Colluvial gravels		1 820 000	0.5	1 850
Total Inferred Mineral Resource			11 524 000	0.4	1 850

*Bcos = 6 mm

*Both grade and diamond value of total Inferred Mineral Resource is a weighted average.

*The diamond value is a two-year trailing average.

*All values/grades are rounded off to reflect the low level of confidence in the estimate.



1 Mining operations at Saxendrift



2 In-field screen at Nieuwejaarskraal



3 Typical MOR RDM production



EXPLORATION
Increasing inventory of diamonds in MOR

1

IN-FIELD EVALUATION
Defining resources and reserves in terms of NI43-101

2

EVALUATION OF GRADES AND VALUES
Using results of mapping, drilling and pitting

3

Inferred Mineral Resources on Remhoogte Project (as at February 6, 2015)

Terrace complex	Resource block	Volume m ³	Grade* ct/100m ³	Value* USD/ct
Remhoogte	Remhoogte/Holsloot Rooikoppie gravel	7 056 000	0.9	2 900
Total Inferred Mineral Resource		7 056 000	0.9	2 900

*Bcos = 5mm

Resource estimation on Wouterspan (as at February 28, 2013)*

Terrace complex	Resource classification	Volume m ³	Grade* ct/100m ³	Value* USD/ct
Wouterspan	Indicated Resource	5 025 500	0.62	2 300
	Inferred Resource	37 774 000	0.62	2 300

*Bcos = 5mm

CORPORATE GOVERNANCE

Mandate of the board

The board adopted a formal mandate (the “**Mandate**”) as outlined in Rockwell’s Corporate Governance Policies and Procedures Manual (the “**Manual**”) on February 28, 2008. The Manual mandates the board to: (i) assume responsibility for the overall stewardship and development of the Company and monitoring of its business decisions, (ii) identify the principal risks and opportunities of the Company’s business and ensure the implementation of appropriate systems to manage these risks, (iii) oversee ethical management and succession planning, including appointing, training and monitoring of senior management and directors, and (iv) oversee the integrity of the Company’s internal financial controls and management information systems. In addition, the Manual includes written charters for each committee. Further, the Manual encourages but does not require continuing education for its directors and it contains a code of ethics, policies dealing with issuance of news releases and disclosure documents, as well as share trading black-out periods. A copy of the Manual is available for review at the Company’s website www.rockwelldiamonds.com.

The attendance record of the directors for the 12 months ended February 28, 2015 is set out below. The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance; however, the board ensures that there is open and candid discussion among independent directors.

Name	Board meetings attended	% of board meetings attended
Mark Bristow	6	100
James Campbell	6	100
Stephen Dietrich	6	100
Willem Jacobs	6	100
Richard Linnell	6	100
Johan van’t Hof	6	100
Rick Menell	5	83.33

Composition of the board

Applicable governance policies require that a listed issuer’s board of directors determine the status of each director as independent or not, based on each director’s interest in or other relationship with, the corporation. Applicable governance policies recommend that a board be constituted with a majority of directors who qualify as independent directors (as defined below). A board should also examine

its size with a view to determining the impact of the number of directors upon the effectiveness of the board, and the board should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The Manual allows for retention of independent advisors for board members when they consider it advisable.

Under applicable policies, an “independent” director is one who has no direct or indirect material relationship with the Company. Generally speaking, a director is independent if he or she is free from any employment, business or other relationship which could, or could reasonably be expected to, materially interfere with the exercise of the director’s independent judgment. A material relationship includes having been (or having a family member who has been) within the last three years an employee or executive of the Company or having been employed by the Company’s external auditor. An individual who (or whose family member) is or has been within the last three years, an executive officer of an entity is deemed to have a material relationship as is any individual who (or whose family members or partners) received, directly or indirectly, any consulting, advisory, accounting or legal fee or investment banking compensation from the Company (other than compensation for acting as a director or as a part time chairman or vice-chairman).

The board proposes seven nominees for the office of director of whom five can be considered as “independent” directors. The “independent” nominees are Willem Jacobs, Richard Linnell, Johan van’t Hof, Stephen Dietrich and Rick Menell. These nominees are considered independent by virtue of not being executive officers of the Company, not having a material relationship with the Company and having received no compensation other than in their role as independent directors. The non-independent directors (and the reasons for that status) are Mark Bristow (material relationship with the Company) and James Campbell (President and CEO). As the non-executive chairman, Mark Bristow provides leadership to the board, including its independent directors. Mark Bristow ensures that there is open and candid discussion among all of the directors, including the independent directors, regarding all matters pertaining to the Company, including strategy and operations. On matters where Mark Bristow may be conflicted due to his material relationship with the Company, Mark Bristow ensures that the independent directors have an opportunity to discuss such matters, raise any questions they may have and independently consider such matters to ensure any action that is taken is in the best interest of the Company.

The board monitors the activities of the senior management through regular meetings and discussions amongst the board and between the board and senior management. The board is of the view that its communication policy between senior management, members of the board and shareholders is good. The board is satisfied with the integrity of the Company's internal control and financial management information systems.

Committees of the board

The Manual requires that (i) committees of the board be composed of at least a majority of independent directors, (ii) the board expressly assumes, or assigns to a committee, responsibility for the development of the Company's approach to governance issues, (iii) the audit committee be composed only of independent directors and the role of the audit committee be specifically defined and include the responsibility for overseeing management's system of internal controls, (iv) the audit committee have direct access to the Company's external auditor, and (v) the board appoint a nominating and governance committee, composed of a majority of independent directors, with the responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.

As well as an audit committee, the board also has a compensation committee and a nominating and governance committee.

Audit committee

The board has established an audit committee which currently consists of Willem Jacobs, Stephen Dietrich and Johan van't Hof. The audit committee carries out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company's independent auditors and other matters under the authority of the committee. See further disclosure in Item 20 of the Company's AIF filed on www.sedar.com on May 29, 2015 with respect to the audit committee and its relationship with the Company's independent auditors. The Company adopted an Audit committee charter on February 28, 2008 and it is included in the Manual. The audit committee charter is also available for viewing at the Company's website at www.rockwelldiamonds.com.

Compensation committee

The board has established a compensation committee which currently consists of Richard Linnell and Johan van't Hof. The compensation committee recommends compensation for the directors and executive officers of the Company. See further disclosure under Statement of executive compensation below. the compensation committee charter

was adopted on February 28, 2008 and is included in the Manual. This compensation committee charter is available to view at the Company's website at www.rockwelldiamonds.com.

The function of the compensation committee is to review, on an annual basis, the compensation paid to the Company's executive officers and directors, to review the performance of the Company's executive officers and to make recommendations on compensation to the board.

The compensation committee also periodically considers the grant of stock options. Options have been granted to the executive officers and directors and certain other service providers taking into account competitive compensation factors and the belief that options help align the interests of executive officers, directors and service providers with the interests of shareholders.

As further described under the heading "Biographical information about board nominees" above, Richard Linnell and Johan van't Hof each have experience that is relevant to their responsibilities as a member of the compensation committee. As a result of this experience, the compensation committee is able to make informed decisions on the suitability of the Company's compensation policies and practices.

Nominating and governance committee

The board has established a nominating and governance committee (the "NG committee") which currently consists of Richard Linnell and Willem Jacobs.

The NG committee has the responsibility of developing and recommending to the board the Company's approach to corporate governance and assists members of the board in carrying out their duties. The NG committee also reviews all new and modified rules and policies applicable to governance of listed corporations to ensure that the Company remains in full compliance with such requirements as are applicable to the Company.

The nominating function of the NG committee is to evaluate and recommend to the board the size of the board and persons as nominees for the position of a director of the Company and to formalize the process for ensuring the nomination of high caliber directors and proper director succession planning. The Company has formal procedures for assessing the effectiveness of board committees as well as the board as a whole. Under the Manual, this function is to be carried out annually under the direction of the NG committee and those assessments are then provided to the board.

CORPORATE GOVERNANCE continued

Board decisions

Good governance policies require the board of a listed corporation, together with its chief executive officer, to develop position descriptions for the board and for the chief executive officer, including the definition of limits to management's responsibilities. Any responsibility which is not delegated to senior management or to a committee of the board remains with the board.

Recruitment of new directors and assessment of board performance

Good governance policies require that (i) every board of a listed corporation implement a process for assessing the effectiveness of the board and the committees of the board and the contribution of individual directors, (ii) every corporation provide an orientation and education program for new directors, and (iii) every board review the adequacy and form of compensation of directors and ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director. See the section entitled "Committees of the board – nominating and governance committee" above.

Directorships

The section above entitled "Biographical information about board nominees" provides details of other reporting issuers of which each proposed director is a director or officer as at the date hereof.

Orientation and continuing education

The Company has traditionally retained individuals with mining experience as directors and hence the need for orientation and continuing education is minimized. When new directors are appointed, they are acquainted with the Company's mineral projects and the expectations of directors. Board meetings generally include presentations by the Company's senior management and project staff in order to give the directors full insight into the Company's operations.

Ethical business conduct

The board has adopted an ethics policy (set out in the Manual) which is available for download from the Company's website at www.rockwelldiamonds.com. The board also believes that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the board in which the director has an interest, have been sufficient to ensure that the board operates independently of management and in the best interests of the Company.

Nomination of directors

The board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the board's duties effectively and to maintain a diversity of views and experience. See the section entitled "Committees of the board – Nominating and governance committee" above.

Assessments

The board monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board and committees. The NG committee is mandated to oversee an annual formal assessment of the board and its committees.

Statement of executive compensation

"Named Executive Officer" ("NEO") means each of the following individuals:

- (a) a chief executive officer ("CEO");
- (b) a chief financial officer ("CFO");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150 000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at February 28, 2015.

Compensation discussion and analysis

The Company's compensation policies and programs are designed to be competitive with similar resource companies and to recognize and reward executive performance consistent with the success of the Company's business.

The board has established a compensation committee consisting of Richard Linnell and Johan van't Hof. The function of the compensation committee as set out in the Manual is to assist the board in fulfilling its responsibilities relating to the compensation practices of the executive officers of the Company. To achieve this purpose, the compensation committee has the duty, responsibility and authority to:

- ♦ recommend to the board the form and amount of compensation to be paid by the Company to directors for service on the board and on board committees. The compensation committee reviews director compensation at least annually;

- ♦ annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other equity-based compensation programs and recommend changes in or additions in such structure and plans to the board as needed;
- ♦ recommend to the board the annual base compensation of the Company's executive officers and senior managers (collectively the "Officers");
- ♦ recommend to the board the range of increase or decrease in the annual base compensation for non-Officer personnel providing services to the Company;
- ♦ recommend to the board annual corporate goals and objectives under any incentive compensation plan adopted by the Company for Officers and non-Officer personnel providing services to the Company, and recommend incentive compensation participation levels for Officers and non-Officer personnel providing services to the Company under any such incentive compensation plan. In determining the incentive component of compensation, the compensation committee will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years;
- ♦ evaluate the performance of Officers generally, and in light of annual corporate goals and objectives under any incentive compensation plan;
- ♦ periodically review with the Chairman and CEO their assessments of corporate officers and senior managers and succession plans, and make recommendations to the board regarding appointment of officers and senior managers;
- ♦ provide oversight of the performance evaluation and incentive compensation of non-Officer personnel providing services to the Company;
- ♦ administer the Company's stock option and other equity based compensation plans and determine the annual grants of stock options and other equity based compensation; and
- ♦ recommend to the NG committee the qualifications and criteria for membership on the compensation committee.

The compensation committee has assessed the Company's compensation plans and programs for its executive officers to ensure alignment with the Company's business plan and to evaluate the potential risks associated with those plans and programs. The compensation committee has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Company. The compensation committee considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Company has not adopted a policy restricting its executive officers or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by its executive officers or directors. To the knowledge of the Company, none of the executive officers or directors have purchased such financial instruments.

Report on executive compensation

The Valuation Report on executive compensation has been authorized by the compensation committee. The board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company although the compensation committee guides it in this role. As part of its mandate, the board determines the type and amount of compensation for the Company's executive officers. In addition, the board reviews the methodology utilized by the Company for setting salaries of employees throughout the organization.

The compensation committee receives competitive market information on compensation levels for executives.

Mr James Campbell, President and CEO and Mr John Shelton, the CFO, serve the Company on a full-time basis.

Philosophy and objectives

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- ♦ attracting and retaining talented, qualified and effective executives;
- ♦ motivating the short and long-term performance of these executives; and
- ♦ better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary, bonus compensation and equity participation through its share option plan.

Base salary

In the board's view, paying base salaries that are competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives. Competitive salary information on comparable companies within the industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications.

CORPORATE **GOVERNANCE** continued

Bonus compensation

The Company's objective is to achieve certain strategic objectives and milestones. The board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. Bonuses are awarded at the discretion of the board. The board approves executive bonus compensation dependent upon compensation levels based on recommendations of the compensation committee, and such recommendations are generally based, if necessary, on survey data provided by independent consultants. Bonus compensation was awarded as per the previous years' approval from shareholders in the form of shares issued.

Equity participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's share option plan. Stock options are granted to senior executives taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. Options are generally granted to senior executives and vest on terms established by the compensation committee.

Given the evolving nature of the Company's business, the board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

Compensation of the Chief Executive Officer

Under the Manual, the compensation of the CEO is to be approved by the board. Base salary and bonus levels are determined taking into account independent market survey data.

The compensation committee reviews the grants of stock options to directors, management, employees and consultants. Options have been granted in prior years taking into account competitive compensation factors and the belief that options help align the interests of such persons with the interests of shareholders.

As noted above under "Bonus compensation", incentives that may be paid to the CEO and any other member of the Executive or senior management team are determined in respect of the individuals and management team achieving strategic objectives and milestones which are set at the beginning of each year by the compensation committee and approved by the board.



1 James Campbell with a proud recipient at the Long Service Awards in 2015

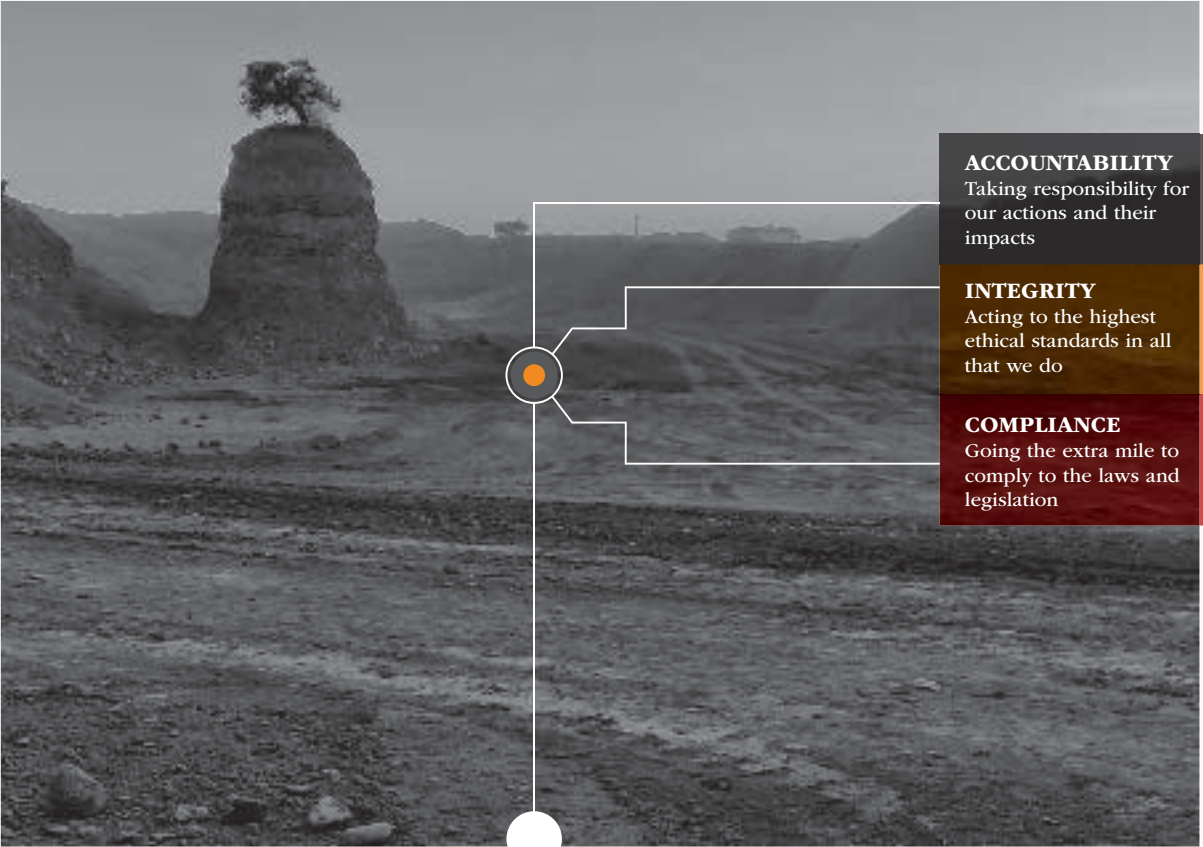


2 Rockwell sponsors schools in Barkly West



3 Mining around the protected Shepherd's Bush tree

FOUNDATION TO A SUSTAINABLE BUSINESS



- ACCOUNTABILITY**
Taking responsibility for our actions and their impacts
- INTEGRITY**
Acting to the highest ethical standards in all that we do
- COMPLIANCE**
Going the extra mile to comply to the laws and legislation

1

2

3

GOVERNANCE IN PRACTICE



Rockwell's values define our ideal work ethic and culture

**THE DIAMOND VALUE
MANAGEMENT PRINCIPLES
DEFINE ROCKWELL'S
BUSINESS CULTURE**

CORPORATE GOVERNANCE continued

Performance graph

The following graph compares the cumulative total return to a shareholder who invested \$100 in common shares of the Company on February 28, 2010 until February 28, 2015 with the cumulative total return of the TSX.

The Company's compensation policies and programs are designed to be competitive with similar junior mining exploration companies and to recognize and reward executive performance consistent with the success of the Company's business.

As a result of the credit crisis, commodities prices collapsed, with diamonds being particularly hard hit. This, coupled with uncertainty raised from an unsolicited take-over attempt, resulted in a collapse in the share price.

The performance of management cannot be measured on the share price, but in maintaining liquidity, increasing production and reducing costs. The fact that the Company is still in operation where many of its peers have failed completely is evidence of the commitment and creativity of management in ensuring that the Company is still operational.

Senior employees' salaries were brought in line with the market albeit at the lower end of the percentile and the

employees that were on par with the market were given inflation related increases. Union employees were granted band specific increases, as negotiated, to narrow disparities.

Actions, decisions or policies made after February 28, 2015

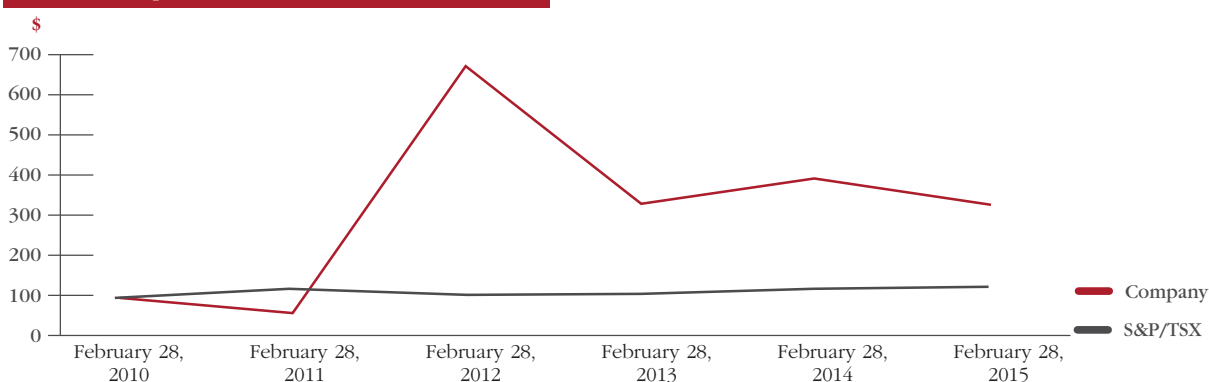
Given the evolving nature of the Company's business, the board and the compensation committee continue to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above. No actions, decisions or policies have been made since February 28, 2015 that would affect a reader's understanding of NEO compensation.

Option-based awards

The Company has in place a rolling share option plan dated September 9, 2011 (the "Plan"). Under TSX policies the Plan must be submitted to shareholders for renewal every three years. The Plan was approved by shareholders at the previous meeting of shareholders held in 2014. The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company.

Under the Plan, a maximum of 10% of the issued and outstanding Common Shares of the Company may be

Performance graph



	Investment	February 28 2010	February 28 2011	February 29 2012	February 28 2013	February 28 2014	February 28 2015
	\$	\$	\$	\$	\$	\$	\$
Company	100.00	100.00	66.66	666.66	326.66	393.33	326.66
S&P/TSX Composite Index	100.00	100.00	121.55	108.72	110.25	122.18	130.99

reserved for issuance. Options up to this limit may be granted at the discretion of the board, or the compensation committee, to eligible optionees (the “**Optionees**”). In addition, as the number of issued and outstanding Common Shares of the Company increases, the number of options available for granting to eligible optionees will increase. As at the date hereof there are options outstanding to purchase an aggregate of 3 336 688 Common Shares representing approximately 6.1% of outstanding Common Shares.

The Plan is administered by the compensation committee of the Company. The Plan provides that options will be issued pursuant to option agreements to directors, officers, employees or consultants of the Company or a subsidiary of the Company. All options expire on a date not later than ten years after the issuance of such option. Previous grants of option-based awards are taken into account when considering new grants of options. Subject to the requirements of the policies of the TSX and the prior receipt of any necessary regulatory approval, the board may, in its absolute discretion, amend or modify the Plan or any outstanding option granted under the Plan, as to the provisions set out in the Plan.

The following is a summary of the material terms of the Plan:

- ♦ For stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed optionee is a bona fide employee or service provider (inclusive of management company employees), as the case may be, of the Company or any subsidiary;
- ♦ If an optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any option held by such optionee may be exercised within 90 days after the date such optionee ceases to be employed as an officer or director, as the case may be;
- ♦ If an optionee dies, any vested option held by him at the date of death will become exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;
- ♦ In the case of an optionee being dismissed from employment or service for cause, such optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- ♦ The minimum exercise price of an option granted under the Plan must not be less than the Market Price calculated the day before the grant (as defined in the Plan);

- ♦ Vesting of options shall be in accordance with the option commitment in the Plan or otherwise, at the discretion of the board, and will generally be subject to: (i) the service provider remaining employed by or continuing to provide services to the Company or any of its affiliates as well as, at the discretion of the board, achieving certain milestones which may be defined by the board from time to time or receiving a satisfactory performance review by the Company or any of its affiliates during the vesting period; or (ii) the service provider remaining as a director of the Company or any of its affiliates during the vesting period;
- ♦ The maximum aggregate number of shares issuable upon exercise of options to non-employee directors must not exceed 1% of the total Common Shares of the Company outstanding at any time and no more than \$100 000 in total award value per non-employee director on an annual calendar basis; and
- ♦ The board reserves the right in its absolute discretion to terminate the Plan with respect to all Plan shares in respect of options which have not yet been granted hereunder.

The Plan has the following restrictions, which restrictions may only be superseded by the Company obtaining approval of the disinterested shareholders of the Company in each instance:

- ♦ Common Shares being issuable to Insiders under the Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares;
- ♦ Common Shares to be issued to Insiders under the Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares in any 12-month period;
- ♦ Common Shares being issuable to independent directors under the Plan, when combined with all of the Company's other share compensation arrangements, exceeding 1% of the outstanding Common Shares of the Company; and
- ♦ A reduction in the exercise price of an option granted hereunder to an Insider or an extension of the term of an option granted hereunder benefiting an Insider.

Options are generally granted to corporate executives in the first quarter of each year as part of the annual compensation review. Any special compensation is typically granted in the form of options. Options are granted at other times of the year to individuals commencing employment with the Company. The exercise price for the options is based on the volume weighted average of the closing price of the shares of the Company on the TSX for the five days prior to the date of grant.

CORPORATE GOVERNANCE continued

Summary compensation table

The compensation paid to the NEOs during the Company's three most recently completed financial years ended February 28, 2013, February 28, 2014 and February 28, 2015 is as set out below:

Name and principal position	Year	Non-equity incentive plan compensation ³						All other compensation	Total compensation
		Salary ¹	Share-based awards	Option-based awards ²	Annual incentive plans ³	Long-term incentive plans	Pension value		
		\$	\$	\$		\$	\$	\$	
James Campbell ⁴	2015	374 001	123 703	41 563	Nil	Nil	Nil	Nil	539 367
	2014	350 208			Nil	Nil	Nil	Nil	449 372
	2013	362 278			50 190	Nil	Nil	Nil	412 468
John Shelton ⁵ CFO, Secretary	2015	145 984	Nil	124 617	Nil	Nil	Nil	Nil	270 601
Gerhard Jacobs ⁶ former CFO	2015	168 010	27 833	Nil	Nil	Nil	Nil	151 450	347 293
	2014	283 379	44 583	35 749	Nil	Nil	Nil	Nil	363 711
	2013	297 536	Nil	17 135	47 806	Nil	Nil	Nil	362 477
Michael Hunt ⁷ former COO	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- ¹ The Company's South African executives are compensated in South African Rand ("ZAR") and have been presented in Canadian dollars at an exchange rate of 1 Canadian dollar = ZAR9.7276 (2014: ZAR9.5329 and 2013: ZAR 8.3682) the average monthly rate in effect for the year ended February 28, 2015.
- ² These amounts represent the dollar amount based on the grant date fair value of the award for the year ended February 28, 2015. The options granted in the Company's financial year ended February 28, 2015 were granted pursuant to the Company's share option plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Company's Common Share Price, expected dividend yield, and risk-free interest rate. The Black-Scholes grant date fair value for awards granted on January 15, 2015 was 50% of the option exercise price.
- ³ These amounts include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts for the year ended February 28, 2015.
- ⁴ Mr Campbell is also a director of the Company. He receives no compensation for his role as a director.
- ⁵ Mr Shelton commenced employment as Chief Financial Officer of the Company on July 25, 2014. Mr Shelton was appointed Secretary of the Company on August 10, 2015.
- ⁶ Mr Jacobs commenced employment July 19, 2010 with the Company and was appointed Chief Financial Officer and resigned on July 25, 2014.
- ⁷ Mr Hunt commenced employment July 11, 2011 with the Company and was appointed Chief Operating Officer and resigned on October 28, 2012.

Outstanding option-based awards

The following table sets out all share-based awards and option-based awards outstanding as at February 28, 2015, for each NEO:

Name	Option-based awards				Share-based awards			
	Number of securities underlying unexercised options	Option exercise price \$	Option expiration date	Value of unexercised in-the-money options \$ ¹	Number of securities underlying unexercised options	Option exercise price \$	Option expiration date	Value of unexercised in-the-money options \$ ¹
James Campbell ² President and CEO	100 000	0.40	October 9, 2023	Nil	Nil	Nil	Nil	Nil
	332 444	0.26	October 12, 2016	Nil	Nil	Nil	Nil	Nil
John Shelton ³ CFO and Secretary	450 000	0.32	October 9, 2023	Nil	Nil	Nil	Nil	Nil

Notes:

¹ The value at February 28, 2015 is calculated by determining the difference between the closing price of the Company's Common Shares at February 28, 2015 (\$0.245 per Common Share) underlying the option on the TSX and the exercise price of the options.

² Mr Campbell was appointed CEO effective June 1, 2011.

³ Mr Shelton was appointed CFO effective July 25, 2014 and was appointed Secretary on August 10, 2015.

Incentive plan awards – value vested or earned during the year

The following table sets out all incentive plan awards (value vested or earned) during the year ended February 28, 2015, for each NEO:

Name	Option-based awards – value vested during the year ¹ \$	Share-based awards – value vested during the year ¹ \$	Non-equity incentive plan compensation – value earned during the year \$
James Campbell President and CEO	Nil	Nil	Nil
John Shelton CFO and Secretary	Nil	Nil	Nil

Notes:

¹ These amounts represent the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date. The value of each amount has been determined by taking the difference between the market price of the option at date of exercise and the exercise or base price of the option under the option-based award on the vesting date.

The Company has no pension plans for its directors, officers or employees.

CORPORATE GOVERNANCE continued

Termination and change of control benefits

As at February 28, 2015 the following NEO's of the Company had written employment contracts between themselves and the Company:

- ♦ James Campbell dated June 1, 2011; and
- ♦ John Shelton dated July 21, 2014.

Under these agreements James Campbell and John Shelton are to work full time for the Company and are eligible to receive stock options and a performance based bonus at the discretion of the compensation committee and the board, as well as other standard benefits made available by the Company. Please see Summary compensation table above.

Potential payments upon termination

The following table provides information concerning the value of payments and benefits following termination of employment of each NEO under various circumstances. Payments vary based on the reason for termination and the timing of a departure. The amounts below are calculated as if the NEO's employment had been terminated on February 28, 2015. Receipt of payments on termination is contingent on the NEO delivering a release to the Company.

NEO		Termination without cause	Change of control
James Campbell ¹	Salary	\$187 143	\$748 571
	Bonus	Nil	Nil
	Options	Nil	Nil
John Shelton ²	Salary	\$59 110	Nil
	Bonus	Nil	Nil
	Options	Nil	Nil

Notes:

¹ Mr Campbell was appointed as CEO on June 1, 2011.

² Mr Shelton was appointed as CFO on July 25, 2014 and was appointed Secretary on August 10, 2015.

Compensation of the Company's South African executives was paid to them in South African Rand (ZAR). In the above table, an exchange rate of CDN\$1 = ZAR9.7276 was used.

Except as outlined above, there are no contracts, agreements, plans or arrangements that provide for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement or a change in control of the Company

Director compensation

Director compensation table

Each director of the Company, who is not an executive officer, is paid an annual director's fee of \$30 000. Each director who is a member of the audit committee receives an additional \$5 000. Each director who is a member of another committee receives an additional \$1 500. Each director receives a fee per meeting attended (\$1 500 per board meeting, \$1 250 per other meeting) and 10 000 share options per annum. The share options are increased to 15 000 share options per annum should a director opt not to receive meeting fees.

The compensation provided to the directors (excluding James Campbell, whose compensation is described above under the heading “Statement of executive compensation – summary compensation table”) for the Company’s most recently completed financial year was:

Name	Fees earned \$	Share-based awards \$	Option-based awards \$	Non-equity incentive plan compensation \$	Pension value \$	All other compensation \$	Total \$
Mark Bristow	35 000	Nil	1 179	Nil	Nil	Nil	36 179
Richard Linnell	37 000	Nil	786	Nil	Nil	Nil	37 786
Willem Jacobs	45 750	Nil	Nil	Nil	Nil	Nil	45 750
Johan van’t Hof	53 000	Nil	Nil	Nil	Nil	Nil	53 000
Stephen Dietrich	45 750	Nil	Nil	Nil	Nil	Nil	45 750
Rick Menell	35 000	Nil	Nil	Nil	Nil	Nil	35 000

The following table sets out all option-based awards outstanding as at February 28, 2015 for each director (excluding James Campbell, whose compensation is described above under the heading “Statement of executive compensation – Summary compensation table”):

Name	Option-based awards			Value of unexercised in-the-money options \$ ¹
	Number of securities underlying unexercised options	Option exercise price \$	Option expiration date	
Mark Bristow	17 436	0.26	October 8, 2015	Nil
	75 000	0.48	October 12, 2016	Nil
	10 000	0.21	December 12, 2022	350
	10 000	0.40	October 9, 2023	Nil
Richard Linnell	11 624	0.26	October 8, 2015	Nil
	10 000	0.40	October 9, 2023	Nil
	10 000	0.21	December 12, 2022	350
Willem Jacobs	33 333	0.975	October 8, 2015	Nil
	50 000	0.48	October 12, 2016	Nil
	10 000	0.21	December 12, 2022	350
	10 000	0.40	October 9, 2023	Nil
Johan van’t Hof	10 000	0.21	December 12, 2022	350
	10 000	0.40	October 9, 2023	Nil
Stephen Dietrich	10 000	0.21	December 12, 2022	350
	10 000	0.40	October 9, 2023	Nil
Rick Menell	10 000	0.40	October 9, 2023	Nil

Notes:

¹ The value at February 28, 2015 is calculated by determining the difference between the closing price of the Company’s Common Shares at February 28, 2015 (\$0.245 per Common Share) underlying the option on the TSX and the exercise price of the options.

There was no value vested or earned under any incentive plan during the Company’s fiscal year ended February 28, 2015.

CORPORATE GOVERNANCE continued

Securities authorized for issuance under equity compensation plans

The following table sets out the equity compensation plan information for the fiscal year ended February 28, 2015.

Equity compensation plan information

Plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders – (the Plan)	3 336 688	\$0.38	2 119 136
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	3 336 688	\$0.38	2 119 136

Indebtedness of directors and executive officers

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

Interest of informed persons in material transactions

To the knowledge of management of the Company, other than as set out below, no informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the 12 months ended February 28, 2015, or has any interest in any material transaction in the current year other than in respect of the Company's share option plan or in a document disclosed to the public.

Flawless Diamonds Trading House

Flawless Diamonds Trading House Proprietary Limited (“**Flawless Diamonds Trading House**” or “**FDTH**”) is a private company, located at Suite 515 South African Jewellery Centre, 225 Main Street, Johannesburg, South Africa 2001, of which Mark Bristow, a director of the Company, is a shareholder. The Company owns a 20% interest in FDTH which was acquired with effect from May 5, 2010 for consideration of approximately \$100 000.

Flawless Diamonds Trading House is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Company for all of the Company's diamond production. This includes negotiating the price on diamonds sold under the Marketing and Beneficiation Agreement with Diacore (as defined below) for a fixed fee of 1% of turnover which is below the market rate charged by similar tender houses. Rockwell subsequently participates equally in the profits on the sale of the polished diamonds for those rough stones sold to Diacore under the Marketing and Beneficiation Agreement. FDTH was established in 2006 to provide a professional marketing and sales facility to market and sell Rockwell's diamond production. Rockwell had no prior experience of marketing high quality alluvial gemstone production and needed to position itself in relation to new diamond legislation which was being implemented at the time that Rockwell was establishing itself in the South African market. It was strategically important for Rockwell to have access to a strong and secure dedicated marketing facility to maximize revenue from the sale of its unique diamond production.

FDTH operates from South Africa's internationally recognized high security diamond trading and manufacturing hub known as Jewel City, Johannesburg. FDTH was established and is still run by experienced and internationally recognized diamantaires. The facility is operated by a small and highly experienced marketing and valuation team which collectively has over 100 years of rough diamond valuation, marketing and sales experience. FDTH follows rigorous diamond handling, security, and Kimberley Process protocols, and all marketing and sales procedures are monitored and facilitated by a proprietary computer based system. This system provides independent and transparent verification of results for sellers and buyers,

and is acknowledged in the industry as a leading standard for transacting diamond sales. Aside from providing marketing and sales to Rockwell, FDTH also conducts sales on behalf of other small and medium size South African producers. During fiscal 2015 FDTH was responsible for selling 100% (or \$56.9 million) of the Company's aggregate diamond sales.

Diacore Diamond Group

Diacore Diamond Group ("**Diacore**") is a private company located at c/o Blue Rock Advisors SA, Aéroport Fret, Entrée 2, Port Franc, Sous-Douane, Bureau no. 1101, Etage E, 20 Voie des Traz, 1215 Geneva, Switzerland. Diacore is an affiliate of Daboll, which beneficially owns 10 200 000 Common Shares (18.7% of the issued and outstanding Common Shares).

The Company has a joint venture through a Marketing and Beneficiation Agreement with Diacore which was initially signed in October 2007. Under the terms of the agreement high valued rough diamonds produced by Rockwell are sold to Diacore at the market price. Rockwell receives 90% of the price up front with the remaining 10% payable on sale of the polished stone. The diamonds are cut and polished by Diacore master cutters and on sale of the polished diamonds, Rockwell participates equally in the profits from the sale. The partnership was originally set up for stones exceeding \$500 000 in value, but was extended to include all stones exceeding 10 carats in 2009. In May 2011, the agreement was broadened further to include all stones larger than 2.8 carats.

The partnership has been successful for both counterparties as Diacore has access to Rockwell's pipeline of high valued stones, while Rockwell participates in the upside potential on the final sale of the stones where there is significant value leverage. Rockwell is the only diamond producer with a marketing and beneficiation agreement of this nature. Rockwell has generated total revenue of US\$18.4 million from its profit shares from the Marketing and Beneficiation Agreement in the last three years, with the sale of 35 595 carats, while Diacore has access to the large and exceptional gemstones which are its specialty. As the stock of special stones in the joint venture increases, Rockwell's potential for value added revenues grows.

Diacore is also a creditor of the Company having loaned the Company US\$2 million on June 2, 2011 under a convertible loan agreement (the "**Diacore Loan**"). In addition, as further described below under the heading "Particulars of matters to be acted upon – Conversion of debentures", on November 19, 2014 the Company announced that it had completed an offering of convertible debentures in the amount of \$2 764 000 and demand loans in the amount of \$236 000 to Daboll, an affiliate of Diacore. As further described below under the heading "Particulars of matters

to be acted upon – Amendments to loans", Rockwell Resources RSA Proprietary Limited ("**Rockwell RSA**"), a wholly-owned subsidiary of the Company, entered into a credit agreement dated May 26, 2015 with Ascot Diamonds (Proprietary) Limited ("**Ascot**"), an affiliate of Diacore, for a loan in the principal amounts of US\$15 million and ZAR16 million (the "**Ascot Loan**"). In connection with the Ascot Loan, Daboll surrendered its \$2 764 000 million principal amount of convertible debentures in exchange for a promissory note (the "**Promissory Note**") also payable by the Company. As further described below under the heading "Particulars of matters to be acted upon – Amendments to loans", the Company entered into heads of agreement with Ascot (the "**Heads of Agreement**") setting out proposed terms of a definitive agreement to be entered into regarding the repayment by the Company of all amounts owing by the Company to Ascot.

The Ascot Loan is available on SEDAR at www.sedar.com.

Mark Bristow

The Company has entered into certain loan agreements with Emerald Holdings Limited. ("**Emerald**"), a company located at Dolberg House, 9 Athol Street, Douglas, Isle of Man, IM1 1 LD, United Kingdom. Mark Bristow, the Company's non-executive Chairman, has a financial interest in Emerald.

As further described below under the heading "Particulars of matters to be acted upon – Conversion of debentures", on November 19, 2014 the Company announced that it had completed an offering of convertible debentures in the amount of \$1 011 000 and demand loans in the amount of \$89 000 to Emerald. Rockwell RSA entered into a credit agreement dated effective May 14, 2015 with Emerald for a loan in the principal amount of US\$1.5 million (the "**Bristow Loan**", collectively with the Ascot Loan, the "**Loans**"). As further described below under the heading "Particulars of matters to be acted upon – Amendments to loans", the Company entered into the Heads of Agreement with Ascot setting out proposed terms of a definitive agreement regarding the repayment by the Company of all amounts owing by the Company to Ascot. The Company intends to enter into an agreement with Emerald on substantially similar terms regarding the repayment by the Company of all amounts owing to Emerald.

The Bristow Loan is available on SEDAR at www.sedar.com.

DIRECTORS' REPORT

Nature of business

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 also has a development project and a pipeline of earlier stage properties with future development potential. The operations are based on a strategy of throughput processing and technology. Rockwell continuously strives to be the lowest cost producer in the industry.

The Company is known for producing large, high quality gemstones comprising a major portion of its diamond recoveries that is enhanced through a beneficiation joint venture that enables it to participate in the profits on the 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.

Rockwell's common shares trade on the Toronto Stock Exchange and the JSE Limited under the symbol "RDI".

Subsequent events

- On January 5, 2015 the Company signed an agreement to acquire certain assets of Bondeo 140 CC ("Steyn Transaction") for \$29.0 million (ZAR284 million). This has subsequently been amended on May 12, 2015 to \$21.9 million (ZAR214.95 million). This transaction was subject to a number of suspensive conditions including regulatory approvals. At the date of signature of the financial statements, the required approvals and bridging finance had been secured to the end of August 2015; it is envisaged that the Group will take control of this operation on June 1, 2015. Refinancing of the acquisition debt and the Daboll loan (disclosed in note 12 to the financial statements) will need to take place during Q2 of fiscal 2016 (refer note 1.2 to the financial statements).
- On March 30, 2015, the Group announced that it had reached an agreement to sell its non-core Tirisano property in the North West Province of South Africa for a cash consideration of \$6.4 million (ZAR60 million). This transaction is subject to a number of conditions precedent, including regulatory approvals which have been applied for but not yet satisfied at the date of signing the financial statements. The buyer will acquire the entire issued share capital of Etruscan Diamonds Proprietary Limited. The cash consideration will be settled by way of two initial payments totaling \$2.1 million (ZAR20 million), already received in Q1 2016, followed by 20 equal monthly instalments of \$0.21 million (ZAR2 million).

- The Group's overdraft facility expires at the end of May 2015. Negotiations were under way to renew this facility at the date of signing these financial statements.
- On the date of signature of these financial statements the Group and Gump Mining CC concluded an agreement to liquidate Gumrock Mining Proprietary Limited. This has no impact on the amount disclosed in the financial statements. Apart from the above, management is not aware of any matter or circumstance arising since the end of the financial year requiring amendment to the amounts and disclosures included in the financial statements.

Financial results

The financial statements on pages 61 to 108 set out fully the financial position, results of operations and cash flows of the Company.

Litigation

The Company is not aware of any outstanding or threatened litigation.

Insurance

Rockwell has adopted a policy that includes insurance coverage for all equipment that is purchased on an instalment plan (called hire purchase in South Africa) or lease but it does not carry full coverage for other equipment that is paid off. Cover is obtained on a risk exposure and some equipment is self insured. The Group also has coverage on small vehicles, busses, road trucks, Flow-sort X-ray equipment and some of its fixed properties and assets.

Liquidity

At February 28, 2015 the Group had cash and cash equivalents of \$0.6 million (February 28, 2014: \$1.3 million) and bank indebtedness of \$nil (February 28, 2014: \$3.1 million), for net cash holdings of \$0.6 million (February 28, 2014: \$1.8 million overdrawn). The Group had negative working capital of \$0.3 million compared to negative \$1.7 million at February 28, 2014.

At February 28, 2015, the Group had asset retirement obligations relating to its mines, capital lease obligations at Saxendrift relating to mining equipment with three year lease agreements and a loan from the Industrial Development Corporation of South Africa Limited. The Group's capital lease obligations are shown in the table on page 55. Repayments are required in South African Rand, but reflected in Canadian Dollars in the table.



Management has considered the available cash resources at quarter end, the value realised through diamond tenders post quarter end and estimated the cash flows from operations for the 12 month period post quarter end. Based on this information management concluded that the Group will have available cash resources to settle its liabilities as they fall due, based on operating assumptions currently in place.

During the assessment of the ability of the Group to continue as a going concern, management noted there to be a number of material transactions on which there is uncertainty and which may have an impact on the going concern assumption. These uncertainties could be summarized as follows:

- On January 5, 2015 the Company signed an agreement to acquire certain assets of Bondeo 140 CC ("Steyn transaction") for \$29.0 million (ZAR284 million) (subsequently amended on 12 May 2015 to \$21.9 million (ZAR214.95 million)), intended to replace the Group's Saxendrift Mine, which is expected to be commercially depleted during the course of fiscal 2016. At the date of signature of the financial statements, approvals and bridging finance had been secured to fund the Steyn transaction. With all conditions precedent met at the date of signing the financial statements it is envisaged

that the Group will take control of the operations on June 1, 2015;

- The bridging finance referred to above will require refinancing by the end of August 2015. The Company intends refinancing this through capital markets. Should the Company be unable to refinance, current arrangements provide for repayment through (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid;
- The Company is negotiating financing of the moveable plant acquired through the Steyn transaction up to the value of \$4.1 million (ZAR40 million); and
- The Group has an overdraft facility of \$2.9 million (ZAR27 million) with Standard Bank which expires at the end of May 2015. It is envisaged that this will be renewed with its current terms, but this has not yet been confirmed.

Based on the assumptions that such aggregate financing will become or remain available, the directors believe that the going concern assumption is an appropriate basis for the preparation of the financial statements. Should the going concern assumption not be appropriate, adjustments would have to be made to reduce the value of the Group's assets to their realizable values.

Contractual obligations and commitments

Rockwell has the following commitments in respect of equipment lease payments to various financial institutions for plant and equipment. A minimum lease payment of \$0.7 million is payable in the next 12 months, with a further total \$1.3 million payable thereafter.

The following are the maturities of contractual obligations:

	Payments due by period (\$ millions)				
	Total	Less than one year	One to three years	Three to five years	More than five years
Finance lease obligations	2.0	0.7	1.3	-	-
Long-term debt obligations	6.1	2.3	3.8	-	-
Operating lease obligations	12.2	5.1	5.1	2.0	-
Total	20.3	8.1	10.2	2.0	-

Financial instruments and risks and uncertainties

Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

In the normal course of business, the Company is inherently exposed to currency and commodity price risk. For a discussion of certain risks and assumptions that relate to the use of derivatives, including liquidity risk and credit risk, refer to the Company's consolidated financial statements.

DIRECTORS' REPORT continued

Capital management

As at February 28, 2015, the Group is not subject to externally imposed capital encumbrances other than its overdraft facility and finance leases.

At February 28, 2015, of the \$0.6 million (February 28, 2014: \$1.3 million) cash and cash equivalents held by the Group, \$0.5 million (February 28, 2014: \$1.2 million) were held in South African Rand ("ZAR"), \$0.04 million (February 28, 2014: \$0.2 million) in Canadian Dollars and \$0.01 million (February 28, 2014: \$0.01 million) in United States Dollars.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise. The Group considers the components of shareholders' equity, as well as its cash and cash equivalents, and bank indebtedness as capital. The Group's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may issue new shares through private placements, issue debt, or return capital to shareholders, in order to maintain or adjust the capital structure.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Group incurred a loss of \$14.5 million (2014: \$10.4 million) for the year ended February 28, 2015. As of this date its current liabilities exceed its current assets by \$0.3 million (2014: \$1.7 million). In order to fund the Steyn transaction (referred to in note 1.2) and the Group's working capital until August 2015, the Group will be required to raise long-term capital in the foreseeable future. On May 15, 2015 the Group secured \$21.4 million (ZAR210 million) of bridging finance to fund the Steyn transaction with a tenor of three-and-half months (expiring at the end of August 2015). The Group plans to refinance this bridging loan in Q2 2016, through the capital market by the end of August 2015. Should the Company be unable to refinance, current arrangements provide for repayment through (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid.

Working capital requirements will be funded through the finance of the moveable plant acquired through the Steyn transaction. Management expects the Group's operations to be cash self-sustaining after this debt is successfully refinanced.

The Company has no off-balance sheet arrangements.

Risks and uncertainties

The risk factors which should be taken into account in assessing the Company's activities include, but are not necessarily limited to, those set out below. Any one or more of these risks and others could have a material adverse effect on the Company.

Diamond prices

The value of the Group's mineral resource properties is dependent on the price and the outlook of diamonds. Diamond demand and prices fluctuate and are affected by numerous factors beyond the control of the Group, including worldwide economic trends, worldwide levels of diamond discovery and production, and the level of demand for and discretionary spending on, luxury goods such as diamonds and jewelry. Low or negative growth in the worldwide economy, prolonged credit market disruptions or activities creating disruptions in economic growth could result in decreased demand for diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production could also negatively affect the price of diamonds. In each case, such developments could materially adversely affect the Group's results of operations.

The profitability of the Group's operations is highly correlated to the market price of diamonds. If diamond prices decline for a prolonged period below the cost of production of the Group's operating mines, it may not be economically feasible to continue production.

Economic conditions

Unfavorable economic conditions may negatively impact the Company's financial ability. Unfavorable economic conditions could also increase the Company's financing costs, decrease estimated income from prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

Uncertainties related to mineral resource estimates

There is a high degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, no assurance

can be given to the actual quantity of mineral resources and grades. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a diamond project is complicated and involves a number of variables. It involves extensive geo-statistical analysis due to the highly variable nature of diamond distribution and the fact that both diamond grade and average diamond value play important roles in determining the viability of any given diamond project. Since no two diamonds are exactly alike, a significant parcel of diamonds is needed to gain confidence levels on diamond size distribution and average diamond value necessary to make any realistic decisions regarding future development.

Licenses, permits and approvals

The Company's operations require licenses, permits and approvals from various governmental authorities. The Company believes that it currently holds and is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct its current operations. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn.

There can be no guarantee the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Foreign currency risk

In the normal course of business, the Group enters into transactions for the purchase of supplies and services denominated in ZAR. In addition, the Group has cash and certain liabilities denominated in ZAR. As a result, the Group is subject to currency risk from fluctuations in foreign exchange rates. The Group has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

Mining and processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water, power, surface conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labor force disruptions, force majeure factors, weather conditions which can materially and adversely affect among other things production quantities and rates, development costs and expenditures and production commencement dates.

The Company periodically reviews its Life of Mine ("LOM") planning. Significant changes in the LOM plans can occur as a result of experience obtained in the course of carrying out its mining activities, changes in mining methods and rates, process changes, investments in new equipment and technology, diamond price assumptions and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment may be required to write down the carrying value of its mine or development property. This process continues for the economic life of the mines in which the Company has an interest.

Environmental and other regulatory requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future charges in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls and health and safety. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

DIRECTORS' **REPORT** continued

Mineral exploration and development

The business of exploring for diamonds and mining is highly speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing diamond properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a diamond bearing deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

Rehabilitation funds and mine closure costs

Changes in environmental laws and regulations can create uncertainty with regard to future rehabilitation costs and affect the funding requirements. Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Uninsured risks and insurance coverage

The mining business is subject to a number of risks and hazards that may not be insured including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Legal proceedings

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicated with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurance that these matters will not have a material adverse effect on the Company's business.

MANAGEMENT'S RESPONSIBILITIES AND APPROVAL

The consolidated financial statements, the notes thereto and other financial information contained in the annual report have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Rockwell Diamonds Inc. ("Company"). The financial information presented elsewhere in the annual report is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the consolidated financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorisation, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

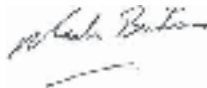
The board of directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The audit committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the audit committee to discuss the scope of their audits, the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG Inc., the independent registered public accounting firm, in accordance with Canadian Auditing Standards.

The consolidated financial statements set out on pages 61 to 108 were approved by the board on May 28, 2015 and were signed on its behalf by:



James Campbell
Director



Dr Mark Bristow
Director

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rockwell Diamonds Inc.

We have audited the accompanying consolidated financial statements of Rockwell Diamonds Inc., which comprise the consolidated statements of financial position as at February 28, 2015 and February 28, 2014, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the

consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rockwell Diamonds Inc. as at February 28, 2015 and February 28, 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Inc.
Registered Auditor



Per Jacob Le Roux
Chartered Accountant (SA)
Registered Auditor
Director

May 28, 2015

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in Canadian dollars ('000)	Note(s)	As at February 28 2015	As at February 28 2014
Assets			
Non-current assets			
Mineral property interests	2	16 518	26 642
Investment in associates	3	396	233
Property, plant and equipment	4	27 001	30 719
Investments and deposits	5	1 502	5 386
Rehabilitation deposits	15	3 376	1 701
Total non-current assets		48 793	64 681
Current assets			
Inventories	6	2 177	4 608
Loans to related parties	16	8	186
Current tax receivable		37	36
Trade and other receivables	7	4 889	8 501
Cash and cash equivalents	8	576	1 325
Assets held for sale	9	13 525	–
Total current assets		21 212	14 656
Total assets		70 005	79 337
Equity and liabilities			
Equity			
Share capital	10	147 435	147 073
Reserves		(8 575)	(10 009)
Retained loss		(102 076)	(88 096)
Total equity attributable to the equity holders of the Group		36 784	48 968
Non-controlling interest	36	(2 369)	(1 737)
Total equity		34 415	47 231
Liabilities			
Non-current liabilities			
Loans and borrowings	12	3 844	3 241
Finance lease obligation	13	1 276	110
Deferred tax	14	2 995	5 926
Rehabilitation obligation	15	5 987	6 459
Total non-current liabilities		14 102	15 736
Current liabilities			
Loans from related parties	16	162	4
Loans and borrowings	12	2 296	1 954
Finance lease obligation	13	708	165
Trade and other payables	17	10 902	11 162
Bank overdraft	8	–	3 085
Liabilities held for sale	9	7 420	–
Total current liabilities		21 488	16 370
Total liabilities		35 590	32 106
Total equity and liabilities		70 005	79 337

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

Amounts in Canadian dollars ('000)	Note(s)	For the year ended February 28 2015	For the year ended February 28 2014
Sale of diamonds	21	56 948	41 107
Beneficiation income	21	11 050	4 063
Cost of sales before amortization and depreciation	22	(68 827)	(39 200)
Gross (loss)/profit before amortization and depreciation		(829)	5 970
Amortization of mineral property interests	2	(793)	(928)
Depreciation of property, plant and equipment	4	(6 273)	(5 009)
Rehabilitation obligation recognized		(993)	(743)
Gross loss		(8 888)	(710)
Other income		1 619	1 703
General, administration and business development expenses		(5 895)	(4 440)
Realized foreign exchange with sale of subsidiary	28	-	(6 609)
Impairments	2, 4, 7	(3 643)	(55)
Loss before net finance costs	23	(16 807)	(10 111)
Finance income	24	449	699
Finance costs	25	(1 308)	(1 137)
Loss after net finance costs		(17 666)	(10 549)
Share of profit from equity-accounted investments	3	149	59
Loss before taxation		(17 517)	(10 490)
Taxation	26	2 991	63
Loss for the year		(14 526)	(10 427)
(Loss)/profit attributable to:			
Owners of the parent		(13 980)	(10 618)
Non-controlling interest	36	(546)	191
		(14 526)	(10 427)
Loss per share			
Basic and diluted loss per share (cents)	27	(25.89)	(21.30)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Canadian dollars ('000)	Note(s)	For the year ended February 28 2015	For the year ended February 28 2014
Loss for the year		(14 526)	(10 427)
Other comprehensive income net of taxation			
Items that are or may be reclassified to profit or loss			
Exchange differences on translating foreign operations		1 108	(5 160)
Reversal of realized foreign exchange with sale of subsidiary	28	-	6 609
Other comprehensive income for the year net of taxation		1 108	1 449
Total comprehensive loss		(13 418)	(8 978)
Total comprehensive income attributable to:			
Owners of the Group		(12 786)	(9 378)
Non-controlling interest	36	(632)	400
Total comprehensive income for the year		(13 418)	(8 978)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in Canadian dollars ('000)	Share capital	Foreign currency translation reserve*	Share-based payment reserve**	Total net reserves	Retained loss	Total equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at March 1, 2013	146 862	(20 039)	8 164	(11 875)	(77 478)	57 509	(2 137)	55 372
<i>Total comprehensive income for the year</i>								
(Loss)/profit for the year	-	-	-	-	(10 618)	(10 618)	191	(10 427)
Other comprehensive income	-	1 240	-	1 240	-	1 240	209	1 449
Total comprehensive income for the year	-	1 240	-	1 240	(10 618)	(9 378)	400	(8 978)
Share-based payment expense	-	-	626	626	-	626	-	626
Shares issued to employees (note 11)	205	-	-	-	-	205	-	205
Shares issued to consultants (note 11)	29	-	-	-	-	29	-	29
Share issue costs	(23)	-	-	-	-	(23)	-	(23)
Total changes	211	1 240	626	1 866	(10 618)	(8 541)	400	(8 141)
Balance at February 28, 2014	147 073	(18 799)	8 790	(10 009)	(88 096)	48 968	(1 737)	47 231
<i>Total comprehensive income for the year</i>								
Loss for the year	-	-	-	-	(13 980)	(13 980)	(546)	(14 526)
Other comprehensive income	-	1 194	-	1 194	-	1 194	(86)	1 108
Total comprehensive income for the year	-	1 194	-	1 194	(13 980)	(12 786)	(632)	(13 418)
Share-based payment expense	-	-	240	240	-	240	-	240
Share options exercised	16	-	-	-	-	16	-	16
Shares issued to employees (note 11)	347	-	-	-	-	347	-	347
Share issue costs	(1)	-	-	-	-	(1)	-	(1)
Total changes	362	1 194	240	1 434	(13 980)	(12 184)	(632)	(12 816)
Balance at February 28, 2015	147 435	(17 605)	9 030	(8 575)	(102 076)	36 784	(2 369)	34 415
Note(s)	10		11				36	

*Currency translation differences arising on the conversion of the results and financial performance of foreign operations from their functional currency to the Company's presentation currency are accumulated in the foreign currency translation reserve.

**Equity settled share-based payment transactions are accumulated in the share-based payment reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Canadian dollars ('000)	Note(s)	For the year ended February 28 2015	For the year ended February 28 2014
Cash flows from operating activities			
Cash receipts from customers		68 301	41 999
Cash paid to suppliers and employees		(67 644)	(39 329)
Cash generated from operations	19	657	2 670
Finance income		263	373
Finance costs		(469)	(484)
Net cash inflow from operating activities		451	2 559
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(4 070)	(8 707)
Proceeds from sale of property, plant and equipment		367	975
Purchase of mineral property interests	2	(663)	(199)
Sale of mineral property interests	2	-	2 098
Proceeds from sale of subsidiary	18	-	1 679
Movement in related party loans		328	(143)
Movement in investments and deposits		2 575	(2 383)
Increase in rehabilitation deposits		(1 623)	(65)
Net cash outflow from investing activities		(3 086)	(6 745)
Cash flows from financing activities			
Proceeds on share issue		16	-
Share issue costs	10	(1)	(23)
Proceeds from (repayment of) loans and borrowings		4 126	(10)
Proceeds from (repayment of) finance lease obligations		1 606	(272)
Net cash inflow/(outflow) from financing activities		5 747	(305)
Net movement in cash and cash equivalents for the year			
Cash and cash equivalents at the beginning of the year		(1 760)	2 731
Cash and cash equivalents included in assets held for sale	9	(776)	-
Total cash and cash equivalents at the end of the year	8	576	(1 760)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The accompanying notes are an integral part of these consolidated financial statements.

1.1 Nature of operations

Rockwell Diamonds Inc. ("Rockwell" or the "Company") is engaged in the business of diamond production and the acquisition and exploration of natural resource properties. The consolidated financial statements of the Company as at and for the years ended February 28, 2015 and February 28, 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group's mineral property interests are located in South Africa. Rockwell is incorporated in Canada under the British Columbia Business Corporations Act. Rockwell is primarily listed on the Toronto Stock Exchange ("TSX") with a secondary listing on the Johannesburg Stock Exchange ("JSE").

1.2 Continuance of operations

The Group incurred a loss of \$14.5 million (2014: \$10.4 million) for the year ended February 28, 2015. As of this date its current liabilities exceed its current assets by \$0.3 million (2014: \$1.7 million). Management has considered the ability of the Group to continue as a going concern and notes there to be a number of material transactions on which there is uncertainty and which may have an impact on the going-concern assumption. These uncertainties could be summarized as follows:

- On January 5, 2015, the Company signed an agreement to acquire certain assets of Bondeo 140 CC ("Steyn transaction") for \$29.0 million (ZAR284 million) (subsequently amended on May 12, 2015 to \$21.9 million (ZAR214.95 million), intended to replace the Company's Saxendrift Mine, which is expected to be commercially depleted by August 2015. At the date of signature of the financial statements, approvals and bridging finance had been secured to fund the Steyn transaction. With all conditions precedent met at the date of signing the financial statements it is envisaged that the Group will take control of the operations on June 1, 2015;
- The bridging finance referred to above will require refinancing by the end of August 2015. The Company intends refinancing this through capital markets. Should the Company be unable to refinance, current arrangements provide for repayment through (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid;
- The Company is negotiating financing of the moveable plant acquired through the Steyn transaction to the value of \$4.1 million (ZAR40 million); and
- The Group has an overdraft facility of \$2.9 million (ZAR27 million) with Standard Bank which expires at the end of May 2015. It is envisaged that this will be renewed with its current terms, but this has not yet been confirmed.

Based on the assumptions that such aggregate financing will become or remain available, the directors believe that the going concern assumption is an appropriate basis for the preparation of these financial statements. Should the going concern assumption not be appropriate, adjustments would have to be made to reduce the value of the Group's assets to their realizable values.

1.3 Basis of preparation

1.3.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

1.3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except where otherwise stated, as set out in the accounting policies below.

1.3.3 Presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except as otherwise indicated.

1.3.4 Use of estimates and judgments

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Accounting policies continued

1.3. Basis of preparation continued

1.3.4 Use of estimates and judgments continued

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2 – Mineral property interests
- Note 4 – Property, plant and equipment
- Note 6 – Inventories
- Note 11 – Share-based payments
- Note 14 – Deferred tax
- Note 15 – Rehabilitation obligation

1.4 Significant accounting policies

The accounting policies set out below are applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Group entities.

1.4.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Consideration transferred is calculated as the sum of the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree is recognized in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred, unless they are debt related. Directly attributable transaction costs related to debt instruments are capitalized.

If the Group obtains control over one or more entities that are not businesses, then the bringing together of those entities are not business combinations. The cost of acquisition is allocated among the individual identifiable assets and liabilities of such entities, based on their relative fair values at the date

of acquisition. Such transactions do not give rise to goodwill.

Non-controlling interests in the proportionate net assets of consolidated subsidiaries are identified and recognized separately from the Group's interest therein, and are recognized within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interests even if this results in a debit balance being recognized for non-controlling interests.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the carrying amounts of the acquiree's identifiable net assets at fair value at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent

to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, until the date on which significant influence ceases.

1.4.2 Mineral property interests

The acquisitions of mineral property interests are initially measured at the fair value of the consideration paid. Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Group are capitalized until the property is placed into production, sold, abandoned, or when management has determined that there has been an impairment in value. Such acquisition costs are amortized over the estimated life of the mine, based on the unit of production method, or written off to operations if the property is abandoned, allowed to lapse, or if there is little prospect of further work being carried out by the Group. Under the unit of production method, the yearly depreciation charge is calculated by dividing the actual resources mined by the estimated resources at the beginning of the year and then multiplying the resulting fraction by the net carrying value of the related assets. The unit of production method results in a systematic and rational allocation of the cost of the mineral property interests over the period the resources are utilized.

Exploration expenditure incurred subsequent to the mining operations which do not increase production or extend the life of operations are expensed in the period incurred.

The amount presented for mineral property interests represents costs incurred to date less accumulated amortization and impairment losses, and does not necessarily reflect present or future values.

1.4.3 Exploration and evaluation costs

Exploration and evaluation expenditures relate to cost incurred on the exploration for and evaluation of potential mineral resources and includes costs relating to the following:

- ♦ Acquisition of exploration rights;
- ♦ Conducting geological studies;
- ♦ Exploratory drilling and sampling; and
- ♦ Evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Expenditures incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditures incurred prior to securing

the legal rights to explore an area, are expensed immediately.

Expenditures towards in-house exploration for and evaluation of potential mineral resources for each area of interest are expensed until it is considered probable that future economic benefit will arise through further exploration and subsequent development of the area of interest. Pre-feasibility studies involve the review of one or more potential development options with the aim of moving forward to the more detailed feasibility study stage. Expenditures related to such studies are expensed in full as there is insufficient certainty that future economic benefit will be generated at this stage of a project.

Expenditures relating to preliminary assessments which support the technical feasibility and commercial viability of an area are capitalized at cost under mineral property interests. Where preliminary assessments reach a favorable conclusion, the costs are depleted over the unit of production method as described in 1.4.2. Where the preliminary assessments reach an adverse conclusion, any previously capitalised costs are written off.

1.4.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset when:

- ♦ it is probable that future economic benefits associated with the item will flow to the Group; and
- ♦ the cost of the item can be measured reliably.

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to and replace part of it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of them can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Accounting policies continued

1.4 Significant accounting policies continued

1.4.4 Property, plant and equipment continued

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Consistent with the prior year, the useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	12 years
Plant and machinery	4 – 10 years
Motor vehicles	5 years
Office equipment	6 years

Assets under construction are not depreciated until it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated.

The residual value, useful life and depreciation method of each asset is reviewed annually. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4.5 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time

value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

1.4.6 Financial instruments

Initial recognition and measurement

Financial instruments are recognized initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognized in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being recognized in profit or loss for the period.

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses. Loans and receivables

include loans to related parties, trade and other receivables, deposits and cash and cash equivalents.

Available-for-sale financial assets are subsequently measured at fair value.

Financial liabilities are subsequently measured at amortized cost, using the effective interest method. Financial liabilities include loans from related parties, trade and other payables, loans and borrowings and bank overdrafts.

Investments

The Group classifies its investments into the following categories: fair value through profit or loss, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were required. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with a fixed maturity that management has the intention and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the reporting date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Fair value through profit or loss and available-for-sale investments are subsequently measured at fair value. The fair value of investments is based on cash value or amounts derived from cash flow models. Equity securities for which fair value cannot be measured reliably are recognized at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss and other comprehensive income as gains or losses from investment securities. Held-to-maturity investments are measured at amortized cost using the effective yield method.

Derecognition

The Group derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction of equity, net of any tax effects.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the statements of cash flows, cash and cash equivalents includes bank overdrafts.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the financial asset might be impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Accounting policies continued

1.4 Significant accounting policies continued

1.4.6 Financial instruments continued

Reversals of impairment losses are recognized in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

1.4.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as a tax receivable.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all taxable temporary differences between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes and any tax losses. No deferred tax is provided on temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition; and
- investments in subsidiaries and associates to the extent that the Group is able to control the timing and reversal and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured using enacted or substantively enacted rates at the reporting date that are expected to apply when the asset is realized or the liability is settled. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset could be realized.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Tax expenses

Current and deferred taxes are recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognized, in the same or a different period, in other comprehensive income which is then recognized in other comprehensive income, or
- a business combination.

Current tax and deferred taxes are recognized directly in equity if the tax relates to items that are recognized, in the same or a different period, directly in equity.

1.4.8 Inventories

Rough diamond inventories are valued at the lower of average production cost and net realizable value. Production costs include the cost of consumable materials, direct labor, mine-site overhead expenses, depreciation and amortization. Work in progress stock piles consist of ground excavated, but not yet fully processed at reporting date. The value of these stock piles represents management's best estimate of the costs incurred to excavate and screen the ground as identified by an independent surveyor at reporting date.

Mine supplies are valued at the lower of cost, at the weighted average cost basis, and net realizable value.

Cost of items that are not ordinarily interchangeable, and goods and services produced and segregated for specific projects, are assigned by using a specific identification of their individual costs.

Previous write-downs are reversed to the lower of cost and net realizable value when there is a subsequent increase in the value of inventories.

1.4.9 Assets held-for-sale

Non-current assets, or disposal groups comprising asset and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on disposal group is allocated first to mineral property, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's other

accounting policies. Impairment losses on initial application as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment, are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

1.4.10 Share-based payments

The fair value of share-based payment awards granted to employees is recognized on the grant date as an employee cost, with a corresponding increase in reserves, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Group's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on Canadian government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

1.4.11 Rehabilitation obligation

Estimated rehabilitation costs, which are based on the Group's interpretation of current environmental and regulatory requirements, represent the present value of the expected future costs to rehabilitate the mine properties at termination of mining operations. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Provision is made for the Group's legal and constructive obligations to dismantle, remove and restore items of property, plant and equipment and remediation of disturbed areas in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date. The provision is discounted using a market-based pre-tax discount rate and the unwinding of the discount is included in finance cost.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation provision.

1.4.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the Group.

Finance leases

Assets held by the Group under finance leases are recognized in the consolidated statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments is recognized as an operating lease asset. Assets held under operating leases are not recognized in the Group's statement of financial position.

Any contingent rents are expensed in the period they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Accounting policies continued

1.4 Significant accounting policies continued

1.4.13 Revenue

Revenue arising from the sale of diamonds is recognized when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the sale transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the sale transaction can be measured reliably.

Beneficiation revenue is recognized on the date that Diacore notifies the Group of the successful sale of the cut and polished diamonds to third parties, this being 50% of the added value.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of value added tax.

1.4.14 Finance income and finance cost

Finance income comprises interest on funds invested and fair value gains on financial assets at fair value through profit or loss. Finance income is recognized, in profit or loss, using the effective interest method.

Finance cost comprises interest expense on borrowings, unwinding of discount on provisions and fair value losses on financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

1.4.15 Earnings per share

The Group presents basic and diluted earnings/loss per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares

outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares, which comprise share options granted to employees.

1.4.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial periods are recognized in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Canadian dollars by applying to the foreign currency amount the exchange rate between the Canadian dollars and the foreign currency at the date of the cash flow.

Foreign operations

For consolidation purposes the results and financial position of a foreign operation are translated into the presentation currency using the following procedures:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position;
- Equity components are translated at historical rates;
- Income and expenses are translated at exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity. When a foreign investment is disposed, the cumulative exchange differences previously recognized in other comprehensive income are transferred to profit or loss.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognized initially in other comprehensive income and accumulated in the foreign translation reserve. They are recognized in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of the net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.4.17 Segmental reporting

Segmental results that are reported to the chief operating decision-maker, or decision-making group, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and tax assets and liabilities.

1.4.18 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The obligation for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employee services provided to the reporting date. Short-term benefits are undiscounted.

The expected cost of bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Accounting policies continued

1.5 Standards, interpretations and amendments to published standards effective for the year ended February 28, 2015

During the financial year, the following new and revised accounting standards, amendments to standards and new interpretations were adopted by the Group:

Standard(s) Amendment(s) Interpretation(s)	Details of amendment	Impact on financial position or performance
IAS 32 (Amendment)	<i>Offsetting Financial Assets and Financial Liabilities</i>	No impact
IAS 36 (Amendment)	<i>Impairment of Assets</i>	No impact*
IFRIC 21 (New interpretation)	<i>Levies</i>	No impact
Various IFRSs	Annual improvements project is a collection of amendments to IFRSs and is the result of conclusions reached by the IASB on proposals made at its annual improvements project.	No impact

*IAS 36 amendment has no impact on the amounts recognized in the financial statements, however it requires additional disclosure.

1.6 Standards, interpretations and amendments to published standards which are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that apply to the Group's accounting periods beginning on January 1, 2015 or later periods but have not been early adopted by the Group. Management is currently reviewing the impact of these standards on the Group.

These standards, amendments and interpretations are:

Standard(s) Amendment(s) Interpretation(s)	Details of amendment	Effective date*
Amendments to 6 standards	Improvements to IFRSs 2010 – 2012 Cycle	July 1, 2014
Amendments to 4 standards	Improvements to IFRSs 2011 – 2013 Cycle	July 1, 2014
IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	January 1, 2016
	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	
IAS 16 and IAS 38		January 1, 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	January 1, 2017
IFRS 9	<i>Financial Instruments</i>	January 1, 2018
	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	
IFRS 10 and IAS 28		January 1, 2016
Amendments to 4 standards	Improvements to IFRSs 2012 – 2014 Cycle	January 1, 2016
IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities: Applying the Consolidation Exception</i>	January 1, 2016
IAS 1	<i>Disclosure Initiative</i>	January 1, 2016

*Effective date refers to annual period beginning on or after said date.

2. Mineral property interests

Amounts in Canadian dollars ('000)	As at February 28, 2015			As at February 28, 2014		
	Accumulated amortization and impairment losses		Carrying value	Accumulated amortization and impairment losses		Carrying value
	Cost	losses		Cost	losses	
Mineral property interests	20 406	(3 888)	16 518	30 171	(3 529)	26 642

Reconciliation of mineral property interests – February 28, 2015

Amounts in Canadian dollars ('000)	Opening balance	Additions	Transfer to assets held for sale (note 9)	Foreign exchange movements	Amortization	Impairments	Closing balance
Mineral property interests	26 642	663	(8 000)	582	(793)	(2 576)	16 518
Fiscal 2015 impairments							
Tirisano			2 576				

Reconciliation of mineral property interests – February 28, 2014

Amounts in Canadian dollars ('000)	Opening balance	Additions	Disposals	Foreign exchange movements	Amortization	Closing balance
Mineral property interests	31 405	199	(1 617)	(2 417)	(928)	26 642
Fiscal 2014 disposals						
Klipdam (note 17)				1		
Holsloot and Farhom				1 616		
				1 617		

The Group's mineral property interests consist of the following:

Wouterspan (including Okapi and Kanonloop)

The Wouterspan property is located in the Herbert district of the Northern Cape Province of South Africa approximately 145 kilometres southwest of Kimberley. The operation is located on the farm Lanyonvale (various portions), Okapi and Kanonloop, with an aggregate area of 2 579.8 hectares.

The operation has not been operational since December 2008. The carrying value of this mineral property is \$12.9 million. The carrying value was included in the assessment of the value in use calculation for the Wouterspan Mine (refer note 4).

Holpan/Klipdam

The Klipdam mineral property was sold in Q1 of fiscal 2014, refer to note 18 for additional information.

Saxendrift

The 5,142 hectare Saxendrift mine property is located on the south bank of the Middle Orange River, and adjacent to the Wouterspan property and is currently being mined. Carrying value of this mineral property at February 28, 2015 amounted to \$2.2 million (2014: \$2.5 million) and was included in the value in use calculation for the Saxendrift mine (refer note 4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Mineral property interests continued

Niewejaarskraal

Niewejaarskraal is located in the Hay district of the Northern Cape Province of South Africa approximately 124 kilometres southwest of Kimberley. The operations are located on Niewejaarskraal 40 and Viegulands Put 39 (total of 3 085.695 hectares) and were actively mined during the year with a decision taken at year-end to suspend operations pending a review of the geological resource and processing capabilities of this operation. Carrying value of this mineral property at February 28, 2015 amounted to \$1.1 million (2014: \$0.4 million) and was included in the value in use calculation for the Niewejaarskraal mine (refer note 4).

Windsorton Erf 2004

This is a prospecting property covering an area of 1 146 hectares, and is adjacent to the Klipdam mine. The Windsorton Erf 2004 mineral right was sold in Q1 of fiscal 2014 as part of the Klipdam sale.

Tirisano

The Tirisano mine, totaling 10 805.57 hectares, is located some 35 kilometres due north of Ventersdorp, in the North West Province and approximately 150 kilometres west of Johannesburg. Operations at Tirisano Mine were placed on care and maintenance in December 2012. Rockwell announced on March 30, 2015 that it had sold its 100% interest in Etruscan Diamonds Proprietary Limited, which held a 74% investment in Blue Gum Diamonds Proprietary Limited, for a total of ZAR60 million (\$6.4 million). The Tirisano mineral property was held in Blue Gum Diamonds Proprietary Limited. In line with its accounting policy the Company considered the fair value less cost to sell of the Tirisano net assets and liabilities forming part of the disposal, and allocated a shortfall of \$2.6 million as an impairment to the mineral properties of Tirisano. Furthermore, management concluded that the investment in Etruscan Diamonds Proprietary Limited was an asset held-for-sale as at February 28, 2015, and it is disclosed as such (refer note 9). This impairment reduced the value of the Tirisano net assets and liabilities to its recoverable amount of \$6.4 million via the sale.

Jasper

The Jasper Mining property, consisting of Portion 1 of the farm Brakfontein No. 276, is contiguous to Rockwell's Saxendrift Mine and is actively being mined at the Saxendrift operations. Carrying value of this mineral property at February 28, 2015 amounted to \$0.4 million (2014: \$0.6 million).

Mooibraai and Thorngrove

Mineral property interest relating to Holsloot and Farhom was sold during fiscal 2014 through the transfer of the mineral right at an amount of \$2.1 million. A profit of \$0.4 million was realized on the disposal.

Estimates and judgments

Carats available at the mineral property interests (excluding Jasper) have been estimated by a qualified geologist employed by the Group and were reviewed by an independent qualified geologist. These resource estimates include inferred resources which have a great amount of uncertainty as to their existence, and economic and legal feasibility. The estimated carats have been published as required by National Instrument 43 – 101. The carats included in the 43 – 101 are used in the calculation of the amortization for the period (refer accounting policy). The carats available at Jasper have been assessed as management's best estimates of expected carats to be obtained. Currently samples are being evaluated to compile the 43 – 101 for Jasper.

3. Investment in associates

Associates

3.1 Flawless Diamonds Trading House Proprietary Limited (20% shareholding)

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Carrying amount		
Opening balance	233	208
Share of profit from equity-accounted investment	149	59
Foreign exchange movements	14	(34)
Closing balance	396	233
The associate had no other comprehensive income (2014: \$Nil).		
Summarised financial information of associate – (100% interest)		
Current assets	14 511	10 351
Non-current assets	776	62
Total assets	15 287	10 413
Current liabilities	13 325	9 322
Non-current liabilities	–	–
Total liabilities	13 325	9 322
Net assets	1 962	1 091
Revenue	105 643	83 642
Total comprehensive income for the year	743	295
Capital commitments and contingent liabilities of associate	–	–
Reconciliation of carrying value to the 20% interest in net assets		
Net assets at 20%	392	218
Other adjustments	4	5
Carrying value	396	233

On April 21, 2010 the Group acquired a 20% shareholding in Flawless Diamonds Trading House Proprietary Limited (“Flawless”) incorporated in the Republic of South Africa for ZAR0.7 million (\$0.1 million) cash. Flawless is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Group.

As the Group has significant influence over Flawless’ operations it accounts for the investment using the equity method.

3.2 Banzi Trade 26 Proprietary Limited (49% shareholding)

Banzi Trade 26 Proprietary Limited (“Banzi Trade”) was incorporated in 2005 in the Republic of South Africa with nominal equity. The Group acquired a 49% shareholding in the same year. Since the incorporation date the Group’s portion of the losses from Banzi Trade exceeded its investment in the associate. The Group, in terms of its accounting policy, does not account for losses in excess of its investment in associates. The Group’s carrying value of its investment in Banzi Trade is Nil.

**NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS** continued

4. Property, plant and equipment

Amounts in Canadian dollars ('000)	As at February 28, 2015			As at February 28, 2014		
	Cost	Accumulated depreciation and impairment losses	Carrying value	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	3 495	(1 019)	2 476	3 386	(854)	2 532
Plant and machinery	51 249	(28 366)	22 883	48 175	(22 520)	25 655
Motor vehicles	1 197	(810)	387	1 356	(856)	500
Office equipment	1 043	(879)	164	905	(740)	165
Construction in progress	1 091	-	1 091	1 976	(109)	1 867
	58 075	(31 074)	27 001	55 798	(25 079)	30 719

Reconciliation of property, plant and equipment – February 28, 2015

Amounts in Canadian dollars ('000)	Transfer to assets held for sale (note 9)					Foreign exchange movements	Depre- ciation	Impair- ment loss	Closing balance
	Opening balance	Additions	Disposals	Transfers	Disposals				
Land and buildings	2 532	55	(147)	-	88	69	(121)	-	2 476
Plant and machinery	25 655	3 097	(1 300)	(579)	1 534	880	(5 966)	(438)	22 883
Motor vehicles	500	-	-	(54)	-	13	(72)	-	387
Office equipment	165	59	(1)	-	49	6	(114)	-	164
Construction in progress	1 867	859	-	-	(1 671)	36	-	-	1 091
	30 719	4 070	(1 448)	(633)	-	1 004	(6 273)	(438)	27 001

Reconciliation of property, plant and equipment – February 28, 2014

Amounts in Canadian dollars ('000)	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Depre- ciation	Impair- ment loss	Closing balance
Land and buildings	4 194	180	(1 361)	-	(377)	(104)	-	2 532
Plant and machinery	25 990	3 088	(1 890)	5 857	(2 634)	(4 720)	(36)	25 655
Motor vehicles	518	143	(28)	-	(52)	(81)	-	500
Office equipment	278	17	-	-	(26)	(104)	-	165
Construction in progress	2 564	5 444	(36)	(5 857)	(248)	-	-	1 867
	33 544	8 872	(3 315)	-	(3 337)	(5 009)	(36)	30 719

4. Property, plant and equipment continued

The impairment loss represents

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Saxendrift Hill Complex – High Wall	62	–
Earthmoving vehicles	376	–
Wouterspan plant and machinery	–	36
	438	36

Impairments for the year ended February 28, 2015 and February 28, 2014 were done on the estimated market value less cost to sell on certain items of equipment no longer in use.

The Saxendrift Hill Complex (“SHC”) operation was halted in January 2015 due to mine life and efficiency considerations. Management considered the recoverable amount of the plant and machinery at SHC, and it is intended that all of the plant and machinery will be relocated for use at the Wouterspan operations. Only the high wall is not movable, and has therefore been impaired to a nil recoverable value, resulting in an impairment of \$0.06 million.

Certain earthmoving vehicles were rebuilt as they have come to the end of their useful life. Therefore the carrying values prior to the rebuilds were impaired to zero. This resulted in an impairment of \$0.4 million.

Included in fiscal 2014 are disposals of land and buildings of \$1.2 million and plant and machinery of \$1.2 million relating to the Klipdam sale totaling \$2.4 million.

The following assets are subject to finance lease obligations: plant and machinery with a net carrying value of \$2.6 million (2014: \$0.6 million) and motor vehicles with a net carrying value of \$0.1 million (2014: \$0.2 million) totaling \$2.8 million (2014: \$0.8 million).

Estimates and judgments

Management performs an ongoing review of the Group’s property, plant and equipment to consider indicators for impairment and where indicators for impairment were identified, the recoverable amount is estimated. Comparisons are made to similar assets available in the market taking into consideration their economic life, residual value, current condition and application in the mining and recovery processes. Impairment indicators were identified for certain items of property, plant and equipment and where no future economic benefits (value in use) will flow from the identified assets, judgment was applied to consider fair value less costs to sell. Assets identified, where the carrying value exceeds the recoverable amount, are impaired. Life of mine cash flow models form the basis against which the value in use is measured.

Management’s review identified the following indicators for impairment:

Saxendrift

The life of the Saxendrift operation, consisting of mineral property of \$2.2 million and plant and other related assets of \$3.8 million, was reduced to August 2015. The latest business plan is to mine the Saxendrift property for six months post year end, to close this mine and transfer the processing plant and movable assets of \$3.8 million to Wouterspan. The carrying value of mineral property and plant assessed in terms of the Saxendrift remaining life of mine amounts to \$2.2 million (as the plant is to be transferred to Wouterspan its carrying value was included in the impairment assessment of Wouterspan).

The key assumptions used by management in assessing the value in use for the Saxendrift mine are summarised as follows:

- ♦ Average diamond price (US\$ per carat, average) – US\$2 129;
- ♦ Inflation – US\$ sales value at 2% and costs denominated in South African Rand at 6%;
- ♦ Expected total volume to process for the six months – 901 505 m³; and
- ♦ Discount rate – 15%.

The estimated value in use amounts to \$2.2 million. Management concluded that no impairment was required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Property, plant and equipment continued

Estimates and judgments continued

Wouterspan

Wouterspan was previously on care and maintenance and this continued during the financial year. Management estimated the value in use of the Wouterspan operation which is to be commissioned for the purpose of concluding whether an impairment would be required for the plant to be transferred from Saxendrift and Saxendrift Hill Complex mines.

Management intends to recommission Wouterspan in 2017 and to initially mine the "Rooikoppie gravel", using the plant from Saxendrift and Saxendrift Hill Complex. After the transfer of plant from Saxendrift and Saxendrift Hill Complex the carrying value of assets to be included in the Wouterspan value in use calculation amounts to \$20.3 million, being mineral properties of \$12.9 million and plant and other assets of \$7.4 million.

The key assumptions used by management in assessing the value in use for the Wouterspan mine could be summarised as follows:

- Average diamond price (US\$ per carat, average) – US\$2 111;
- Inflation – US\$ sales value at 2% and costs denominated in South African Rand at 6%;
- Expected volume to process per annum – 2 400 000 m³;
- Total available resource included in value in use estimate – 17 680 000 m³;
- Additional capital expenditure - \$5.9 million; and
- Discount rate – 15%.

The estimated value in use amounts to \$28.8 million. Management concluded that no impairment was required.

Niewejaarskraal

Niewejaarskraal Mine was suspended in April 2015 to allow for further operational evaluation work to be performed. Subject to the results of this work management intends to re-commence operations during fiscal 2017.

The carrying value of assets to be included in the Niewejaarskraal mine value in use calculation amounts to \$9.9 million, being mineral properties of \$1.1 million and plant of \$8.8 million.

The key assumptions used by management in assessing the value in use for the Niewejaarskraal mine could be summarised as follows:

- Average diamond price (US\$ per carat, average) – US\$2 200;
- Inflation – US\$ sales value at 2% and costs denominated in South African rand at 6%;
- Expected total volume to process per annum – 1 560 000 m³;
- Total available resource included in value in use estimate – 12 542 611 m³; and
- Discount rate – 15%.

The estimated value in use amounts to \$12.7 million. Management concluded that no impairment was required.

Management has identified that a reasonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated amount to be equal to the carrying amount.

4. Property, plant and equipment continued

Change required for carrying amount to equal recoverable amount

	Saxendrift*	Wouterspan	Niejejaarskraal
Average diamond price (US\$ per carat, real average, before inflation of 2%)	(a)	Decrease to US\$2 020 per carat	Decrease to US\$2 156 per carat
Expected volume per year (average m ³)	(b)	12.42% decrease in material processed per year	5.5% decrease in material processed per year
Discount rate	(c)	Increase in discount rate from 15% to 22.1%	Increase in discount rate from 15% to 20.3%

*Due to the Saxendrift mineral property equaling the recoverable amount, the change in key assumptions results in the following impairment:

- a) 10% decrease in US\$ price per carat results in an impairment of \$1.2 million;
- b) 10% decrease in material processed results in an impairment of \$0.9 million; and
- c) 10% increase in the discount rate results in an impairment of \$0.02 million.

5. Investments and deposits

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
At fair value through profit or loss		
Investments	1 436	5 319
The Group invests in investment policies with endowment benefits on maturity of the policies in order to provide funding for the rehabilitation obligations. Premiums are invested on an initial lump sum and/or monthly annuity premium basis with the insurers and invested in specific investment plans. Policy investment value at any one time represents the value of premiums and growth after deduction of administration and investment fees. Withdrawals could be made against the policies before endowment against the deduction of penalties, which is lower than the investment value. To surrender the policy prior to maturity date will similarly attract penalties at a lower rate, and represents the value accessible at any one stage. Fair value at any one stage represents the surrender value of the investments. These policies are encumbered by the guarantees issued by Standard Bank on behalf of the Group (refer notes 15 and 30).		
At amortized cost		
Deposits	66	67
Deposits paid to the South African national electricity supplier.		
Total investments and deposits	1 502	5 386
Non-current assets		
At fair value through profit or loss	1 436	5 319
At amortized cost	66	67
	1 502	5 386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. Inventories

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Rough diamond inventories	599	3 353
Stockpile diamond inventory	118	123
Fuel, oil and grease	233	268
Mine supplies	1 227	864
	2 177	4 608

The net realizable value of rough diamond inventories is estimated at the average price per carat achieved for the most recent diamond tender taking into account the variable factors of clarity, carat, shape and color. A write-down to net realizable value of \$1.5 million (2014: \$1.5 million) was recognized during the year.

Mine supplies were written down by \$0.05 million (2014: \$0.02 million) during the year.

Estimates and judgments

Management performs an ongoing review of inventory in order to determine the net realizable value and to identify inventory that requires a write-off. Obsolete, slow moving and damaged inventory are indicators that a write-off is required. Management's best judgment is applied in estimating the write-off should this be necessary.

7. Trade and other receivables

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Trade receivables	3 023	3 325
Other receivables*	992	2 829
Prepayments	258	810
VAT	616	1 537
	4 889	8 501

*Other receivables includes an amount of \$0.1 million (2014: \$1.2 million) receivable from a mining contractor relating to the sale of earthmoving equipment.

Other receivables and prepayments of \$0.6 million (2014: \$Nil) were impaired during the year. These receivables were considered unrecoverable, and written down to nil.

8. Cash and cash equivalents

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Cash and cash equivalents consist of:		
Cash on hand	2	1
Bank balances	574	888
Short-term cash deposits	-	436
	576	1 325
Bank overdraft	-	(3 085)
	576	(1 760)
Current assets	576	1 325
Current liabilities	-	(3 085)
	576	(1 760)

8. Cash and cash equivalents continued

The Group has an overdraft facility in the amount of ZAR27.0 million (\$2.9 million) available for its operations of which Nil has been utilized. This facility has an interest cost of prime (currently 9.25% per annum) plus 0.6%. The security for the ZAR27.0 million overdraft facility consists of joint suretyship limited to ZAR28.0 million (2013: ZAR28.0 million), by Rockwell Resources RSA Proprietary Limited and HC van Wyk Diamonds Limited, and the cession of an investment policy. The overdraft facility expires on May 31, 2015 and at the time of signing these financial statements this facility was drawn down to \$2.7 million (ZAR25.7 million) and renewal of the facility was in the process of negotiation.

9. Assets and liabilities held for sale

On March 30, 2015, the Company announced that it had reached an agreement to sell its non-core Tirisano Project ("Tirisano") in the North West Province of South Africa for a cash consideration of ZAR60 million (\$6.4 million). The property had previously been identified as a non-core asset and a sale process was initiated. After evaluating a number of proposals as part of the sale process, the Company reached an agreement with a consortium made up of the royalty miners ("the Consortium"), who have operated at Tirisano for the past two years. The Consortium signed an agreement on March 27, 2015 and will acquire the entire issued share capital, together with claims on loan account in Rockwell's 100% owned subsidiary, Etruscan Diamonds Proprietary Limited including the Tirisano mining right and its associated infrastructure, on completion of conditions precedent. Accordingly these assets and liabilities are presented as a disposal group held for sale.

The sale is expected to close within 12 months, after the successful completion of conditions precedent, including required regulatory approvals. The cash consideration will be settled by way of two initial payments totaling ZAR20 million (\$2.1 million), already received in Q1 2016, followed by 20 equal monthly instalments of ZAR2 million (\$0.21 million).

As at February 28, 2015 the disposal group was stated at the impaired carrying amount being the lower of carrying amount or fair value less costs to sell (Level 1 of the fair value hierarchy) and was included within the North West for operating segment reporting purposes (refer note 31). An impairment of \$2.6 million was calculated on the mineral property value based on the difference between the selling price of ZAR60 million (\$6.4 million) and the net carrying value.

The disposal of the Tirisano Project is not considered to be a discontinued operation. Although regarded as a separate segment it is not considered to represent a separate line of business or geographical area.

Assets and liabilities

Amounts in Canadian dollars ('000)	As at February 28 2015
Assets held for sale	
Mineral property interests	8 000
Property, plant and equipment	1 448
Investments and deposits	1 664
Rehabilitation deposits	84
Inventory	457
Trade and other receivables	1 096
Cash and cash equivalents	776
	13 525
Liabilities held for sale	
Loans and borrowings	3 697
Rehabilitation obligation	2 117
Trade and other payables	1 606
	7 420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Share capital

Reconciliation of number of shares issued:

Number of shares	As at February 28 2015	As at February 28 2014
Beginning of year	53 523 244	48 409 413
Payment on conversion of mining right (note 2)*	–	533 332
AVR unbundling#	–	3 466 667
Shares issued to employees (note 11)^	960 000	1 113 832
Share options exercised	75 000	–
End of the year	54 558 244	53 523 244

The Company's authorised share capital consists of an unlimited number of common shares, without par value, and an unlimited number of preference shares without par value, of which no preference shares have been issued. The directors have the authority to issue shares, up to 10% of shares currently in issue, without shareholders' approval.

Share capital is shown net of share issuance cost. The issuance cost amounted to \$0.01 million (2014: \$0.02 million).

The following shares are reserved for issue:

Employee share options	3 336 688
Daboll loan (note 12)	12 235 686

*These shares were issued on March 19, 2013. At February 28, 2013 they were included in share capital at \$0.25 per share. The \$0.25 per share represents the trading price of the shares at the effective date of this transaction.

#These shares were issued on December 27, 2013. At February 28, 2013 they were included in share capital at \$0.25 per share. The \$0.25 per share represents the trading price of the shares at the effective date of this transaction. These shares relate to the buy-back of non-controlling interests in HC van Wyk Diamonds Limited and Klipdam Diamond Mining Company Limited.

^Shares issued to consultants and employees amounted to:

	As at February 28, 2015		As at February 28, 2014	
	Quantity	Share price at grant date	Quantity	Share price at grant date
Consultants	50 000	0.36	138 832	0.21
Employees	910 000	0.36	975 000	0.21
	960 000		1 113 832	

The number of shares issued was calculated as the bonus/consulting expense divided by the trading share price at grant date.

11. Share-based payments

Employee share-based payments

The Group has a share-based payment plan approved by the shareholders that allows the Group to grant options for up to 10% of the Company's shares in issue at any point in time, typically vesting over two years, to its directors, employees, officers and consultants. The Company determines the exercise price using an historic volume weighted average which could differ from the closing price on the grant date. Share options have a maximum term of five years and typically terminate 90 days following the termination of the optionee's employment, except in the case of retirement or death, when they terminate one year thereafter.

The Group uses the Black-Scholes option pricing model to estimate a fair value for these options at grant date. This model requires inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the share-based payment expense charged in a period.

All options are to be settled by physical delivery of shares.

Included under share capital (note 10) are issues to employees and consultants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Share-based payments continued

The terms and conditions of the grants of the share option plan are as follows:

Amounts in Canadian dollars ('000)	Number of instruments granted – key management	Number of instruments granted – senior employees	Number of instruments granted – other	Vesting conditions
Share options issued during the year ended February 28, 2014				
October 9, 2013	325 000	525 000	413 300	1/3 vests immediately, 1/3 vests April 9, 2014 and 1/3 vests October 9, 2014
Share options issued during the year ended February 28, 2015				
October 10, 2014	450 000	-	-	1/3 vests July 21, 2015, 1/3 vests July 21, 2016 and 1/3 vests July 21, 2017
January 15, 2015	64 537	20 923	29 152	All vest immediately.
January 15, 2015	332 444	-	-	221 629 vest immediately and 110 815 vest June 1, 2015

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

Fair value grant date of option cents	Share price at grant date cents	Exercise price cents	Assumptions used to fair value options:			
			Risk free interest rate %	Expected life years	Expected volatility %	Expected dividend
0.40	0.40	0.40	2.5	10	167	Nil
0.28	0.28	0.32	1.9	9	169	Nil
0.07	0.25	0.26	0.8	0.7	88	Nil
0.13	0.25	0.26	0.8	1.7	107	Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Share-based payments continued

The continuity of share-based payments for the year ended February 28, 2015 is as follows:

Amounts in Canadian dollars ('000)	February 28 2014	Granted/ issued	Exercised	Expired/ cancelled	February 28 2015
Grant date					
December 7, 2009	296 298	-	-	(296 298)	-
October 8, 2010	595 659	-	-	(457 594)	138 065
October 12, 2011	825 132	-	-	(825 132)	-
October 12, 2011	571 275	-	-	(446 275)	125 000
October 22, 2012	320 000	-	-	-	320 000
December 12, 2012	758 267	-	(75 000)	(90 000)	593 267
October 9, 2013	1 469 800	-	-	(206 500)	1 263 300
October 10, 2014	-	450 000	-	-	450 000
January 15, 2015	-	447 056	-	-	447 056
	4 836 431	897 056	(75 000)	(2 321 799)	3 336 688
Weighted average exercise price	\$0.54	\$0.29	\$0.21	\$0.70	\$0.38
Weighted average fair value of share options granted during the year					\$0.19
Total options vested					2 775 873
Total options unvested					560 815
					3 336 688

The continuity of share-based payments for the year ended February 28, 2014 is as follows:

Amounts in Canadian dollars ('000)	February 28 2013	Granted/ issued	Exercised	Expired/ cancelled	February 28 2014
Grant date					
December 7, 2009	673 074	-	-	(376 776)	296 298
October 8, 2011	703 389	-	-	(107 730)	595 659
October 12, 2011	918 333	-	-	(93 201)	825 132
October 12, 2011	571 275	-	-	-	571 275
October 22, 2012	320 000	-	-	-	320 000
December 12, 2012	789 534	-	-	(31 267)	758 267
October 9, 2013	-	1 469 800	-	-	1 469 800
	3 975 605	1 469 800	-	(608 974)	4 836 431
Weighted average exercise price	\$0.64	\$0.40	-	\$0.81	\$0.54
Weighted average fair value of share options granted during the year					\$0.40

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Share-based payment expenses		
Share options granted in prior years	164	202
Share options granted in current year	76	424
Total share-based payment cost expensed to operations, with the offset credited to share-based payment reserve	240	626

12. Loans and borrowings

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Held at amortized cost		
<i>Industrial Development Corporation of South Africa Limited</i>	-	3 195
The loan was acquired by Rockwell Diamonds Inc. with the asset and liability acquisition of Etruscan Diamonds Proprietary Limited, and was entered into by Blue Gum Diamonds Proprietary Limited, a 74% owned subsidiary of Etruscan Diamonds Proprietary Limited.		
The loan is repayable in 10 equal bi-annual instalments, bears interest at 1.28% above the current prime rate (9.25% p.a.) and is denominated in South African rand. The loan was transferred to liabilities held for sale (refer note 9).		
<i>Daboll loan</i>	1 967	2 000
On June 2, 2011, the Group signed a Convertible Loan Agreement with Daboll Consultants Limited. It was agreed that Daboll Consultants Limited would lend the Group \$2 million.		
Prior to June 26, 2015 the loan is repayable at the election of the borrower; it is disclosed as non-current.		
The loan is convertible into common shares of the Company at the option of Daboll Consultants Limited during 21 calendar days prior and up to June 26, 2015. If not converted the loan and interest become payable on demand post June 26, 2015 (refer note 34).		
The loan bears interest at 5% p.a. payable each calendar quarter, and any unpaid interest is compounded annually.		
This loan is regarded as a related party loan (refer note 16).		
<i>Convertible debentures</i>	4 173	-
On November 19, 2014 Rockwell completed an offering of two-year unsecured convertible debentures in a principal amount of \$4.1 million with two insiders, namely Rockwell's principal shareholder Daboll Consultants Limited, an affiliate of Diacore, (\$3 million) and with Mark Bristow, Rockwell's non-executive Chairman (\$1.1 million) in three instalments up to January 23, 2015.		
The debentures bear interest at a rate of 5% p.a. and will become convertible, subject to the prior approval of the disinterested minority shareholders, into the same equity securities as may be issued in any equity financings completed by the Company within the first 12 months after the debentures are issued, at the undiscounted, five day volume weighted average price ("VWAP"). If no equity financings are completed, then the debentures may be converted into common shares, at the option of the debenture holder, any time in the second 12 months, at a 10% discount to the equity financing price not to exceed a discount of more than 25% from the VWAP (where the Company's shares trade at \$0.50 or less and 20% discount from VWAP if above \$0.50).		
The total offering was reduced by \$0.3 million to avoid exceeding the allowable amount for the exemption from the requirement to obtain prior minority shareholder approval under Multilateral Instrument 61-101. Separate demand loan agreements were executed for this amount on similar terms to the convertible debentures, and are included in the above total (Daboll Consultants Limited - \$0.2 million and Mark Bristow - \$0.09 million).		
	6 140	5 195
Non-current liabilities		
At amortized cost	3 844	3 241
Current liabilities		
At amortized cost	2 296	1 954
	6 140	5 195

**NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS** continued

13. Finance lease obligation

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Minimum lease payments due		
– within one year	869	171
– between one and five years	1 387	130
	2 256	301
<i>Less: Future finance charges</i>	(272)	(26)
Present value of minimum lease payments	1 984	275
Present value of minimum lease payments due		
Current liabilities – within one year	708	165
Non-current liabilities – between one and five years	1 276	110
	1 984	275

Finance lease obligations as detailed above are secured over plant and equipment and are repayable, on average, in 36 monthly instalments and are denominated in South African rand. Interest is charged at rates of between 1.25% and 2.00% in excess of the prevailing prime rate, which is 9.25% per annum (2014: 9%) at February 28, 2015. There are no significant restrictions imposed on the lessee as a result of the lease obligations.

Operating leases are disclosed under note 29.

14. Deferred tax

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Deferred tax liability		
Mineral property interests	(2 743)	(2 680)
Property, plant and equipment	(2 270)	(3 695)
Other	–	(66)
	(5 013)	(6 441)
Deferred tax asset (recognized)		
Rehabilitation obligation	973	515
Tax loss recognized	1 024	–
Other	21	–
	2 018	515
	(2 995)	(5 926)
Reconciliation of net deferred tax liability		
At beginning of the year	(5 926)	(6 543)
Foreign exchange movement	(60)	554
Recognized in profit or loss	2 991	63
	(2 995)	(5 926)

14. Deferred tax continued

Estimates and judgments

Deferred tax assets are raised only to the extent that future taxable income will be available against which the deferred tax asset can be set off. Management estimates future taxable income using forecasts based on the best available current information.

Unrecognized deferred tax asset

Deferred tax assets have not been recognized for temporary differences where it's not probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences. Estimated unrecognized deferred tax assets could be summarized as follows:

Amounts in Canadian dollars ('000)	Canada	South Africa
Balance as at February 28, 2013	22 219	12 854
Unrecognized deferred tax losses for the year	206	235
Less: Sale of Klipdam	–	(775)
Balance as at February 28, 2014	22 425	12 314
Unrecognized deferred tax losses for the year	273	1 322
Balance as at February 28, 2015	22 698	13 636

15. Rehabilitation obligation

Reconciliation of obligation – February 28, 2015

Amounts in Canadian dollars ('000)	Opening balance	Rehabilitation obligation recognized/ (revised)	Foreign exchange movements	Transfer to non-current liabilities held for sale (note 9)	Unwinding	Closing balance
Wouterspan	1 007	(90)	37	–	90	1 044
Saxendrift Mine	1 514	1 106	111	–	269	3 000
Tirisano Mine	2 456	(413)	74	(2 117)	–	–
Jasper Mining	355	136	19	–	–	510
Niewejaarskraal	1 127	254	52	–	–	1 433
	6 459	993	293	(2 117)	359	5 987

Reconciliation of obligation – February 28, 2014

Amounts in Canadian dollars ('000)	Opening balance	Rehabilitation obligation recognized/ (revised)	Foreign exchange movements	Decommissioning asset raised (note 4)	Sale of Klipdam Mine (note 18)	Unwinding	Closing balance
Holpan, Wouterspan, and Klipdam mines	2 155	(42)	(199)	–	(984)	77	1 007
Saxendrift Mine	2 406	(663)	(229)	–	–	–	1 514
Tirisano Mine	2 239	283	(230)	–	–	164	2 456
Jasper Mining	193	185	(23)	–	–	–	355
Niewejaarskraal	–	981	(19)	165	–	–	1 127
	6 993	744	(700)	165	(984)	241	6 459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Rehabilitation obligation continued

Estimated rehabilitation costs, which are based on the Group's interpretation of current environmental and regulatory requirements, represent the present value of the expected future costs to rehabilitate the mine properties during and at termination of mining operations. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation provision based on professional surveys of the environmental disturbance.

The ultimate rehabilitation will be financed from existing funds and policies invested for this purpose, ongoing contributions as well as the proceeds on sale of assets and metal from plant clean-up at the time of the mine closure. The expected timing of the cash flows in respect of the provisions is dependent on the mineral property award and/or the life of mine. Rehabilitation of disturbed areas at the operating Northern Cape mines is performed on a continuous basis. Rehabilitation of disturbed areas where the alluvial open-cast bench mining process is followed and the non-operating Northern Cape mines will be performed when the mining operations cease. However, it is reasonably possible that the Group's estimates of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates. The following key assumptions were used in estimating the rehabilitation obligation and has been consistently applied from the prior year:

Discount period:	2.5 – 9 years (end of life of mine)
South African discount rate:	9%
South African inflation rate:	6%

As required by regulatory authorities, at February 28, 2015, the Group had cash rehabilitation deposits totaling \$3.4 million (February 28, 2014: \$1.7 million) comprised of \$3.4 million (February 28, 2014: \$0.9 million) for the Holpan, Wouterspan and Klipdam Mine, \$Nil (February 28, 2014: \$Nil) for the Saxendrift Mine and \$Nil (February 28, 2014: \$0.7 million) for the Tirisano Mine. These deposits are invested in interest-bearing and money market linked investments. These investments have been pledged as security in favour of the guarantees the bank issued on behalf of the Group (refer to note 5).

16. Related parties

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Related party balances		
Balances payable		
Seven Bridges Trading (a)	5	4
Gump Mining (g)	157	–
Current balances payable	162	4
Loans from related parties	162	4
All the above named loans are unsecured, interest free and have no fixed terms of repayment and are therefore disclosed as current.		
Balances receivable		
Banzi Trade (c)	–	178
Mogopa Minerals (d)	8	8
Current balances receivable	8	186
Loans to related parties	8	186
These loans represent working capital loans and are therefore disclosed as current.		
Related party transactions		
Services rendered and expenses reimbursed:		
Seven Bridges Trading (a)	46	45
Banzi Trade (c)	–	1
Mogopa Minerals (d)	124	102
Flawless Diamonds Trading House (b)	707	382
Sales rendered to:		
Sale of diamonds – Diacore (f)	38 650	29 007
Beneficiation income – Diacore (f)	11 050	4 063
Finance costs include the following amounts paid to related parties		
Daboll (e)	109	99
Emerald (h)	15	–
Loans and borrowings include the following amounts due to related parties		
Daboll (e) – convertible loan	1 967	2 000
Daboll (e) – convertible debenture	2 789	–
Daboll (e) – demand loan	239	–
Emerald (h) – convertible debenture	1 055	–
Emerald (h) – demand loan	90	–
Receivables from related party included under trade and other receivables		
Diacore (f)	2 891	2 483
Compensation to key management personnel		
Salaries and other short-term benefits	1 118	1 013
Bonus	322	171
Termination benefits	151	–
Share-based payment (note 11)	169	165
	1 760	1 349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. Related parties continued

All related party transactions are calculated at arm's length transaction values in the normal course of business, except where noted below:

- (a) Seven Bridges Trading 14 Proprietary Limited ("Seven Bridges Trading") is a wholly owned subsidiary of Randgold Resources Limited, a public company where Dr DM Bristow, a director of the Company, serves in an executive capacity. Seven Bridges Trading provides administrative and management services.
- (b) Flawless Diamonds Trading House Proprietary Limited ("Flawless Diamond Trading House") is an associated company. Flawless is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Group for a fixed fee of 1% of turnover which is below the market rate charged by similar tender houses.
- (c) Banzi Trade 26 Proprietary Limited ("Banzi Trade") is 49% owned by HC van Wyk Diamonds Limited (note 3) and 51% by Bokomoso Trust. Banzi Trade is an empowered private company established to provide projects to local communities in South Africa as part of the Company's Social and Labor Plan commitments in terms of the South African Minerals and Petroleum Resources Development Act ("MPRDA"). Banzi Trade provides the Group with building materials at market rates.
- (d) The Bakwena Ba Mogopa Trust is the beneficial owner of 26% in the Tirisano Mine operation resident in Blue Gum Diamonds Proprietary Limited. This interest is held by Magopa Minerals Proprietary Limited through Magopa Blue Gum Proprietary Limited. As the landowner, surface rentals are paid to the Trust, while business and support services are paid to Magopa Minerals for shareholder relations and related services.
- (e) Daboll Consultants Limited ("Daboll") owns 19% shares in the Company and is considered a related party. Daboll has convertible loan and convertible debenture agreements with the Company at market-related terms.
- (f) Diacore Diamond Group ("Diacore") is the holding company of Daboll and is the Company's strategic beneficiation partner, with plus 2.8 carat sized diamonds being acquired by Diacore through the diamond trading house for beneficiation. The Group and Diacore participate equally in the retail profit from the sale of its stones, after polishing and finishing.
- (g) Gump Mining Proprietary Limited ("Gump Mining") owns a 50% interest in Gumrock Mining Proprietary Limited, a subsidiary company.
- (h) Emerald Holdings Limited ("Emerald") is an investment company in which Dr DM Bristow, a director of the Company, has a financial interest.

17. Trade and other payables

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Trade payables	3 640	4 148
Royalties payable	3 380	3 401
Other payables*	2 928	2 485
Payroll accruals	932	717
VAT	22	411
	10 902	11 162

*Included in other payables is an obligation to transfer investments and deposits amounting to \$1.7 million (2014: \$1.7 million) (refer note 18) to the purchaser as part of the sale of Klipdam.

18. Sale and acquisition of subsidiaries

18.1 Sale of subsidiary

On March 27, 2013 (“effective date”) the Rockwell Diamonds Inc. Group disposed of a 100% shareholding in Klipdam Diamond Mining Company Proprietary Limited, which formed part of the Northern Cape operations. The entity was sold for an amount of \$2.4 million of which an amount of \$0.7 million is receivable only on transfer of the mineral right to the purchaser. The assets and liabilities sold amounted to:

Amounts in Canadian dollars ('000)	As at February 28 2014
Carrying value of assets sold	
Property, plant and equipment	(2 413)
Mineral property interests	(1)
Rehabilitation obligation	984
Obligation to transfer investments and deposits	(1 715)
Trade and other payables	472
Total net assets sold	(2 673)
Net assets sold	(2 673)
Loss on disposal	259
	(2 414)
Consideration received	
Cash	1 679
Deferred consideration	735
	2 414

The mineral right was transferred to the purchaser on December 9, 2014, and the transaction is in the process of being finalized. ZAR2 million (\$0.2 million) deferred consideration was received during the year ended February 28, 2015, and ZAR5 million (\$0.5 million) was still outstanding at February 28, 2015. This will be received on completion of the transaction.

18.2 Acquisition of subsidiary

Gumrock Proprietary Limited (“Gumrock”) is an unlisted entity in which the Group has a 50% interest.

Gumrock is structured as a separate vehicle in which the Group has a residual interest. Rockwell has certain voting rights which effectively give it the ability to control the relevant activities, and management has concluded that Gumrock should be consolidated from incorporation.

Gumrock was incorporated in March 2014, and Rockwell paid ZAR1 million for its 50% interest. A prospecting and contract mining agreement was concluded between Gumrock and the Group's subsidiary, Saxendrift Mining Proprietary Limited, in order to mine on the Group's Kwartelspan prospecting right.

A loss of \$0.6 million was allocated to non-controlling interest during the year ended February 28, 2015, representing 50% of Gumrock's total loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. Cash generated from operations

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Loss before taxation	(17 517)	(10 490)
Adjustments for:		
Depreciation and amortization	7 066	5 937
Realized foreign exchange with sale of subsidiary	-	6 609
Loss/(profit) on disposal of property, plant and equipment	266	(72)
Profit on disposal of mineral properties	-	(482)
Loss on sale of subsidiary	-	259
Share of profit from equity-accounted investment	(149)	(59)
Finance income	(449)	(699)
Finance costs	1 308	1 137
Rehabilitation obligation recognized	993	743
Share-based payment expense	240	626
Equity-settled employee cost	347	234
Impairment of mineral property interests	2 576	-
Impairment of property, plant and equipment	438	36
Write-down to net realizable value of diamond inventories	1 468	1 471
Write-down of mine supplies	48	19
Impairment of receivables	581	-
Changes in working capital:		
Inventories	547	(4 949)
Trade and other receivables	2 082	(3 171)
Trade and other payables	812	5 521
	657	2 670

20. Tax paid

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Balance at beginning of the year	36	40
Current tax for the period recognised in profit or loss	-	-
Exchange rate movements	1	(4)
Balance at end of the year	(37)	(36)
	-	-

21. Revenue

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Sale of diamonds	56 948	41 107
Beneficiation income	11 050	4 063
	67 998	45 170

Beneficiation income represents profit share on value add (cut and polish), arising through the Group's beneficiation agreement with Diacore. The Group is entitled to 50% of the profits from the sale of the polished diamonds produced by the Group and sold through this channel. The beneficiation income is recognized on the date Diacore notifies the Group of the successful sale of the diamonds to third parties.

22. Cost of sales before amortization and depreciation

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Mining	19 374	12 324
Employee cost	9 337	7 630
Processing	4 940	3 332
Contract mining	7 880	4 305
Other	9 253	5 064
Royalties	409	225
Production cost	51 193	32 880
Inventory movement	2 774	(2 432)
Royalty mining	14 860	8 752
	68 827	39 200

23. Loss before net finance costs

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Loss before net finance costs for the year is stated after accounting for the following:		
Loss/(profit) on sale of property, plant and equipment	266	(72)
Profit on disposal of mineral property interests	-	(482)
Loss on sale of subsidiary	-	259
Realized foreign exchange with sale of subsidiary	-	6 609
Depreciation on property, plant and equipment	6 273	5 009
Amortization on mineral property interests	793	928
Salaries and wages	2 123	1 761
Share-based payment expense	240	626
Operating lease expense	4 620	846
Impairment of mineral property interests	2 576	-
Impairment of property, plant and equipment	438	36
Impairment of receivables	581	-
Write-down to net realizable value of diamond inventories	1 468	1 471
Write-down of mine supplies	48	19
Auditors' remuneration		
- Audit fee	268	324
- Other services	49	24
General, administration and business development expenses		
- General and administration expenses	5 524	4 258
- Business development expenses	371	182

**NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS** continued

24. Finance income

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Bank	263	373
Fair value adjustments on other financial assets	186	326
	449	699

25. Finance costs

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Loans and borrowings	515	430
Finance lease obligation	96	43
Bank	168	168
Unwinding of rehabilitation obligation	359	242
Other	170	254
	1 308	1 137

26. Taxation

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Major components of the tax income		
Deferred tax		
Movement in deferred tax balance recognized through profit or loss	(2 991)	(63)
Reconciliation of taxation		
Reconciliation between accounting loss and taxation:		
Loss before tax	(17 517)	(10 490)
Tax at the applicable tax rate of 26.00% (2014: 26.50%)	(4 554)	(1 028)
Tax effect of adjustments on taxable loss		
Difference in foreign tax rates	(329)	(29)
Non-deductible expenses	297	553
Unrecognized deferred tax assets	1 595	441
	(2 991)	(63)

27. Loss per share

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Basic and diluted loss per share		
Cents per share	(25.89)	(21.30)
Basic loss per share was calculated based on a weighted average number of common shares of 54 001 354 (2014: 49 839 859).		
Reconciliation of loss for the year to basic loss		
Loss for the year	(14 526)	(10 427)
Adjusted for:		
Loss attributable to non-controlling interest	546	(191)
Basic loss attributable to owners of the Group	(13 980)	(10 618)
At February 28, 2015 and February 28, 2014 the impact of share-based payment options was excluded from the weighted average number of shares, for the purpose of the diluted loss per share calculation, as the effect would have been anti-dilutive.		
Basic and diluted headline loss per share		
Cents per share*	(19.81)	(8.68)
Reconciliation between basic loss and headline loss		
Basic loss attributable to owners of the Group	(13 980)	(10 618)
Adjusted for:		
Profit on disposal of mineral properties	-	(482)
Loss/(profit) on disposal of property, plant and equipment	266	(72)
Impairment of mineral property interests	2 576	-
Impairment of property, plant and equipment	438	36
Share of profit from equity-accounted investment	-	(59)
Loss on sale of subsidiary	-	259
Realized foreign exchange with sale of subsidiary	-	6 609
Non-controlling interest portion of above adjustments	-	-
Headline loss attributable to owners of the Group	(10 700)	(4 327)

The basic and diluted headline loss per share disclosure is provided based on the listing requirements of the Johannesburg Stock Exchange (Group's secondary listing). The disclosure of basic and diluted headline loss per share is provided in accordance with Circular 2/2013 as issued by the South African Institute of Chartered Accountants. Headline loss represents the basic loss attributable to the owners of the Group excluding certain re-measurements.

At February 28, 2015 and February 28, 2014 the impact of share-based payment options was excluded from the weighted average number of shares, for the purpose of the diluted headline loss per share calculation, as the effect would have been anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Realized foreign exchange with sale of subsidiary

During the year ended February 28, 2014, the Group sold three subsidiaries, namely Klipdam Diamond Mining Company Proprietary Limited (note 18), Durnpike Investments Proprietary Limited (dormant) and Rockwell Diamonds Explorations Proprietary Limited (dormant). While operating these subsidiaries, the Group recorded foreign exchange losses on the subsidiaries' assets to reflect the change in relative exchange rates. Upon the sale, the prior foreign exchange reserve was thus released to profit or loss.

This is effectively a reversal of the foreign currency translation reserve to retained earnings, and has no cash flow effect.

Breakdown of realized foreign exchange with sale of subsidiary:

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Durnpike Investments Proprietary Limited	–	7 509
Klipdam Diamond Mining Company Proprietary Limited	–	(900)
Rockwell Diamonds Explorations Proprietary Limited	–	–
	–	6 609

29. Commitments

Authorised capital expenditure (not contracted for)

At February 28, 2015, the Company committed to spend \$0.2 million (2014: \$0.9 million) on capital projects during the following year to be funded through cash flows from operating activities.

Operating leases

Amounts in Canadian dollars ('000)	For the year ended February 28 2015	For the year ended February 28 2014
Minimum lease payments due		
– within one year	5 054	1 160
– in second to fifth year inclusive	7 171	3 178
	12 225	4 338
Operating lease payments represent rentals payable by the Group for surface rentals and certain of its office properties.		
Purchase orders	164	1 100

30. Contingencies

HC van Wyk Diamonds Limited, Saxendrift Mine Proprietary Limited, Etruscan Diamonds Proprietary Limited and Blue Gum Diamonds Proprietary Limited held guarantees with the bank in favour of Eskom (electricity provider) of ZAR5.4 million (\$0.6 million) (2014: ZAR5.3 million; (\$0.6 million)) and the Department of Minerals and Energy (DME) of ZAR37.8 million (\$4.0 million) (2014: ZAR53.7 million; (\$5.5 million)) for rehabilitation expenses.

31. Segmental information

The Group has three reportable operating segments, as described below, which are the Group's operating divisions. These divisions offer different diamond product characteristics, qualities, geological characteristics, processes and services, and are managed separately because they require different technology and profit or cost strategies. For each of the divisions the Group executive committee (chief operating decision-making body) reviews internally managed reports on at least a monthly basis. The following describes the operations in each of the Group's reportable segments:

- ♦ Northern Cape operation is associated with the mining of Paleo Channels and Rooikoppie gravels and the recovery of high value and larger carat size diamonds;
- ♦ North West operation is associated with the mining of potholes and the recovery of lower value and smaller carat size diamonds; and
- ♦ Corporate represents the corporate management and administrative function of the Group.

The reconciliation column represents the inter-group transactions eliminated on consolidation. All reportable segments are located in the same geographical jurisdiction. Information regarding the results of each of the reportable segments is included below.

Amounts in Canadian dollars ('000)	Northern Cape	North West	Corporate	Reconciling	Total
For the year ended February 28, 2015					
Property, plant and equipment	26 999	–	2	–	27 001
Mineral property interests	16 518	–	–	–	16 518
Total assets	47 415	13 525	65 672	(56 607)	70 005
Total liabilities	63 578	22 007	6 612	(56 607)	35 590
External revenue	(51 504)	(16 494)	–	–	(67 998)
<i>Other material non-cash items</i>					
– Depreciation on property, plant and equipment	6 021	248	4	–	6 273
– Amortization on mineral property interests	568	225	–	–	793
– Rehabilitation obligation recognized	1 406	(413)	–	–	993
– Impairment of mineral property interests	–	2 576	–	–	2 576
– Impairment of property, plant and equipment	438	–	–	–	438
– Write-down of mine supplies	48	–	–	–	48
– Impairment of sundry receivables	578	3	–	–	581
– Share of profit from equity-accounted investment	–	–	(149)	–	(149)
Finance income	(347)	(93)	(9)	–	(449)
Finance costs	809	374	125	–	1 308
Taxation	(2 991)	–	–	–	(2 991)
Loss for the year	10 892	2 362	1 272	–	14 526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. Segmental information continued

Amounts in Canadian dollars ('000)	Northern Cape	North West	Corporate	Reconciling	Total
For the year ended					
February 28, 2014					
Property, plant and equipment	29 079	1 627	13	–	30 719
Mineral property interests	16 265	10 376	–	–	26 642
Total assets	57 739	13 988	71 698	(64 088)	79 337
Total liabilities	72 156	21 589	2 449	(64 088)	32 106
External revenue	(36 445)	(8 725)	–	–	(45 170)
<i>Other material non-cash items</i>					
– Depreciation on property, plant and equipment	4 764	241	3	–	5 009
– Amortization on mineral property interests	785	143	–	–	928
– Rehabilitation obligation (revised) recognised	1 167	(424)	–	–	743
– Impairment of property, plant and equipment	36	–	–	–	36
– Write-down of mine supplies	19	–	–	–	19
– Share of profit from equity- accounted investment	–	–	(59)	–	(59)
Finance income	(514)	(93)	(92)	–	(699)
Finance cost	533	505	99	–	1 137
Taxation	(63)	–	–	–	(63)
Loss for the year	2 294	(688)	8 821	–	10 427

32. Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Overview

This note presents information about the Group's exposure to risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Capital management

As at February 28, 2015, the Group is not subject to externally imposed capital encumbrances other than its overdraft facility and finance leases.

At February 28, 2015, of the \$0.6 million (February 28, 2014: \$1.3 million) cash and cash equivalents held by the Group, \$0.5 million (February 28, 2014: \$1.2 million) were held in South African rand ("ZAR"), \$0.04 million (February 28, 2014: \$0.2 million) in Canadian dollars and \$0.01 million (February 28, 2014: \$0.01 million) in United States dollars.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise. The Group considers the components of shareholders' equity, as well as its cash and cash equivalents, and bank indebtedness as capital. The Group's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

32. Financial risk management continued

Capital management continued

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may issue new shares through private placements, issue debt, or return capital to shareholders, in order to maintain or adjust the capital structure.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Group incurred a loss of \$14.5 million (2014: \$10.4 million) for the year ended February 28, 2015. As of this date its current liabilities exceed its current assets by \$0.3 million (2014: \$1.7 million). In order to fund the Steyn transaction (referred to in note 1.2) and the Group's working capital until August 2015, the Group will be required to raise long-term capital in the foreseeable future. On May 15, 2015 the Group secured \$21.4 million (ZAR210 million) of bridging finance to fund the Steyn transaction with a tenor of three-and-half months (expiring at the end of August 2015). The Company plans to refinance this bridging loan in Q2 2016, through the capital market, by August 2015. Should the Company be unable to refinance, current arrangements provide for repayment through (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid.

Working capital requirements will be funded through the finance of the movable plant acquired through the Steyn transaction. Management expects the Group to be cash self-sustaining after this debt is successfully refinanced.

Carrying amount and fair values of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The following tables show the estimated fair values of the financial instruments:

Amounts in Canadian dollars ('000)	February 28, 2015		February 28, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value through profit or loss				
Investments	1 436	1 436	5 319	5 319
Assets carried at amortized cost				
Deposits	66	66	67	67
Rehabilitation deposits	3 376	3 376	1 701	1 701
Trade and other receivables	4 015	4 015	6 154	6 154
Cash and cash equivalents	576	576	1 325	1 325
Loans to related parties	8	8	186	186
Liabilities carried at amortized cost				
Loans and borrowings	6 140	6 140	5 195	5 195
Trade and other payables	6 568	6 568	6 633	6 633
Finance lease obligations	1 984	1 984	275	275
Loans from related parties	162	162	4	4
Bank overdraft	–	–	3 085	3 085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. Financial risk management continued

Carrying amount and fair values of financial instruments continued

The following table illustrates the classification of the Group's financial instruments recorded at fair value within the fair value hierarchy:

Amounts in Canadian dollars ('000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
February 28, 2015				
Investments	1 436	–	–	1 436
Financial assets at fair value				
February 28, 2014				
Investments	5 319	–	–	5 319

The financial assets designated at fair value through profit or loss are investments that would otherwise be classified as available for sale. The performance of these investments is managed on a fair value basis.

Financial instrument risk exposure and risk management

The Group is exposed in varying degrees to a variety of financial instrument-related risks. The board approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures, credit risk, liquidity risk, currency risk, interest risk and diamond price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows:

Credit risk

Credit risk is the risk of potential loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, trade and other receivables and loans to related parties. The carrying values of the Group's cash and cash equivalents, trade and other receivables and loans to related parties represent the maximum exposure to credit risk.

The Group limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. The Group does not have financial assets that are invested in asset-backed commercial paper.

The Group minimizes its credit risk by reducing credit terms to 30 days on its sales. The aging of trade and other receivables at the reporting date was:

Amounts in Canadian dollars ('000)	February 28, 2015		February 28, 2014	
	Carrying amount	Impairment	Carrying amount	Impairment
Not past due	4 015	389	6 154	–
Past due 0 – 30 days	–	–	–	–
Past due 31 – 120 days	–	–	–	–
More than one year	–	–	–	–

The current carrying values represent the Group's maximum exposure to credit risk.

32. Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. After taking into account cash flows from operations and the Group's holdings of cash and cash equivalents, the Group believes that these sources will be sufficient to cover the likely requirements for the foreseeable future. The Group's cash and equivalents are invested in business accounts which are available on demand for the Group's capital programs, and which are not invested in any asset-backed deposits/investments.

The Group operates in South Africa. The Group is subject to currency exchange controls administered by the South African Reserve Bank, that country's central bank. A significant portion of the Group's funding structure for its South African operations consists of advancing loans to its South Africa incorporated subsidiaries and it is possible the Company may not be able to acceptably repatriate such funds once those subsidiaries are able to repay the loans or repatriate other funds such as operating profits should any develop. The repatriation of cash held in South Africa is permitted upon the approval of the South African Reserve Bank. Cash balances in South Africa are disclosed below.

The following are the contractual maturities of financial liabilities at carrying values (excluding future interest payments):

Amounts in Canadian dollars ('000)	Carrying amount	Contractual cash flow	2016	2017	2018 – 2020
February 28, 2015					
Non-derivative financial liabilities					
Trade and other payables	6 568	6 568	6 568	–	–
Loans from related parties	162	162	162	–	–
Bank overdraft	–	–	–	–	–
Finance lease obligations	1 984	1 984	708	1 276	–
Loans and borrowings	6 140	6 140	2 296	3 844	–
February 28, 2014					
Non-derivative financial liabilities					
Trade and other payables	6 633	6 633	6 633	–	–
Loans from related parties	4	4	4	–	–
Bank overdraft	3 085	3 085	3 085	–	–
Finance lease obligations	275	275	165	110	–
Loans and borrowings	5 195	5 195	–	2 000	3 195

The Group incurred a loss of \$14.5 million (2014: \$10.4 million) for the year ended February 28, 2015 and as at this date its current liabilities exceeded its current assets by \$0.28 million (2014: \$1.7 million). As referred in note 1.2, the Group concluded that it has, or has access to, sufficient funds to settle its liabilities as they fall due.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. Financial risk management continued

Foreign currency risk

In the normal course of business, the Group enters into transactions for the purchase of supplies and services denominated in ZAR. In addition, the Group has cash and certain liabilities denominated in ZAR. As a result, the Group is subject to currency risk from fluctuations in foreign exchange rates. The Group has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

The exposure of the Group's financial assets and liabilities to currency risk is as follows:

Foreign currency exposure at the end of the reporting period

Amounts in Canadian dollars ('000)	As at February 28 2015	As at February 28 2014
Assets		
United States dollar		
Cash and cash equivalents	11	8
Total financial assets denominated in currency different to the functional currency of the respective Group entity	11	8
Exchange rates used for conversion of foreign operations were:		
CDN vs. ZAR – Annual average rate	0.1028	0.1049
CDN vs. ZAR – Year end spot rate	0.1070	0.1032
CDN vs. USD – Annual average rate	1.1266	1.0467
CDN vs. USD – Year end spot rate	1.2508	1.1074

Sensitivity analysis

The Group does not have any significant financial instruments exposed to currencies different to the functional currency of the respective Group entity. Therefore the Group is not significantly exposed to foreign currency movements through profit or loss.

Interest rate risk

The Group is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Group's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when the cash equivalents mature impact interest income earned.

The Group has finance lease obligations with several financial institutions (note 13) as well as a loan from the Industrial Development Corporation of South Africa Limited (notes 9 and 12). These obligations bear interest at rates linked to the prevailing prime rate, and are subject to interest rate change risk.

Sensitivity analysis

A 100 basis point increase/decrease in the prime rate for the year ended February 28, 2015 would have a net loss/gain effect on profit or loss before tax of \$36 000 (February 28, 2014: \$2 000). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Business risk – diamond price risk

The value of the Group's mineral resource properties is dependent on the price and the outlook of diamonds. Diamond demand and prices fluctuate and are affected by numerous factors beyond the control of the Group, including worldwide economic trends, worldwide levels of diamond discovery and production, and the level of demand for and discretionary spending on, luxury goods such as diamonds and jewelry. Low or negative growth in the worldwide economy, prolonged credit market disruptions or activities creating disruptions in economic growth could result in decreased demand for diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production could also negatively affect the price of diamonds. In each case, such developments could materially adversely affect the Group's results of operations.

The profitability of the Group's operations is highly correlated to the market price of diamonds. If diamond prices decline for a prolonged period below the cost of production of the Group's operating mines, it may not be economically feasible to continue production.

33. List of subsidiaries

Name of subsidiary	Principal place of business	Ownership interest 2015	Ownership interest 2014
HC v Wyk Diamonds Limited ¹	South Africa	100%	100%
Saxendrift Mine Proprietary Limited ¹	South Africa	100%	100%
Jasper Mining Proprietary Limited ³	South Africa	100%	100%
Etruscan Diamonds Proprietary Limited ²	South Africa	100%	100%
Blue Gum Diamonds Proprietary Limited ¹	South Africa	74%	74%
N9C Resources Inc. ²	Cayman Islands	100%	100%
N10C Resources Inc. ²	Cayman Islands	100%	100%
N11C Resources Inc. ²	Cayman Islands	100%	100%
Rockwell Resources RSA Proprietary Limited ¹	South Africa	100%	100%
Rockwell Diamonds North West Proprietary Limited ³	South Africa	100%	100%
Linaplex Proprietary Limited ³	South Africa	100%	100%
Gumrock Proprietary Limited ¹	South Africa	50%	0%

¹Operating company

²Investment holding company

³Dormant

34. Subsequent events

On January 5, 2015 the Company signed an agreement to acquire certain assets of Bondeo 140 CC (Steyn transaction) for \$29.0 million (ZAR284 million) (subsequently amended on May 12, 2015 to \$21.9 million (ZAR214.95 million)). This transaction was subject to a number of conditions precedent including regulatory approvals. At the date of signature of the financial statements, the required approvals and bridging finance had been secured to the end of August 2015; it is envisaged that the Group will take control of this operation on June 1, 2015. Refinancing of the acquisition debt and the Daboll loan (refer note 16) will need to take place during Q2 of fiscal 2016, as described in note 1.2.

On March 30, 2015, the Group announced that it had reached an agreement to sell its non-core Tirisano property in the North West Province of South Africa for a cash consideration of \$6.4 million (ZAR60 million). This transaction is subject to a number of conditions precedent, including regulatory approvals which have been applied for but not yet satisfied at the date of signing the financial statements. The consideration will be settled by way of two initial payments totaling \$2.1 million (ZAR20 million), already received in Q1 2016, followed by 20 equal monthly instalments of \$0.21 million (ZAR2 million).

The Group's overdraft expires at the end of May 2015. Negotiations were under way to renew this facility at the date of signing these financial statements.

On the date of signature of these financial statements the Group and Gump Mining CC concluded an agreement to liquidate Gumrock Mining Proprietary Limited. This has no impact on the amount disclosed in the financial statements.

Apart from the above, management is not aware of any matter or circumstance arising since the end of the financial year requiring amendment to the amounts and disclosures included in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35. Consolidated statements of financial performance

For the year ended February 28, 2015, rehabilitation obligation expense has been reclassified to be included in gross loss. In the year ended February 28, 2014, rehabilitation obligation expense was classified below the gross loss total.

Amounts in Canadian dollars ('000)	Year ended February 28 2015	Year ended February 28 2014
Gross profit as previously stated	–	33
Rehabilitation obligation recognized	–	(743)
Gross loss as currently stated	–	(710)

36. Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest ("NCI"), before any intra-group eliminations.

Amounts in Canadian dollars ('000)	Blue Gum Diamonds Proprietary Limited	Gumrock Mining Proprietary Limited	Intra- group eliminations	Total
February 28, 2015				
NCI percentage	26%	50%		
Non-current assets	–	29		
Current assets	3 670	91		
Non-current liabilities	–	(1 251)		
Current liabilities	(24 484)	(83)		
Net assets	(20 814)	(1 214)		
Carrying amount of NCI	(5 412)	(607)	3 650	(2 369)
Revenue	16 494	472		
Profit/(loss)	340	(1 268)		
Other comprehensive income	464	(23)		
Total comprehensive income	804	(1 291)		
Profit/(loss) allocated to NCI	88	(634)	–	(546)
Other comprehensive income allocated to NCI	(60)	(26)	–	(86)
February 28, 2014				
NCI percentage	26%	50%		
Non-current assets	1 709	–		
Current assets	1 627	–		
Non-current liabilities	(18 836)	–		
Current liabilities	(4 681)	–		
Net assets	(20 181)	–		
Carrying amount of NCI	(5 247)	–	3 510	(1 737)
Revenue	8 725	–		
Profit	734	–		
Other comprehensive income	(1 621)	–		
Total comprehensive income	(887)	–		
Profit allocated to NCI	191	–	–	191
Other comprehensive income allocated to NCI	209	–	–	209

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