

Rockwell to raise up to \$10m

Brendan Ryan | Fri, 16 Oct 2009 10:20

[miningmx.com] -- ROCKWELL Diamonds (Rockwell) is now looking to raise between \$7m and \$10m instead of the previously announced figure of \$3.5m to bolster its balance sheet.

Rockwell CEO John Bristow said the decision to go for more funds resulted from improving sentiment in the diamond market as well as indications of support from shareholders.

However, the interim results statement from Rockwell for the six months to end-August released today cautioned that, "The fund raise is expected to be achieved through a combination rights offering and private placement although there can be no certainty of its success at the present time."

Bristow told Miningmx that details of the rights offer should be made public in early November.

"We are well advanced with the documentation for the Toronto Stock Exchange but the real challenge is meeting the JSE requirements. "

The funds will be used to strengthen Rockwell's balance sheet, settle short-term debt including the payment standstill with Komatfin in respect of equipment leases and to undertake further production improvements and cost saving measures at existing operations.

"If funds permit, the company will also initiate the modernisation of the Wouterspan processing plant with a view to re-commission this operation subject to further improvement in diamond prices," Bristow stated.

He commented, "Sentiment in the diamond markets has improved and we received positive feedback from our major shareholders from the first round of discussions about the rights offer.

"The message we got was that we should raise all the money we need now instead of having to come back later next year and ask for more. We also found support from a couple of new, large cornerstone shareholders who appreciate the growth prospects that Rockwell offers."

For the six months to end-August Rockwell turned in an improved operating performance but losses doubled to \$6.6m from \$3.1m in the comparable period of 2008 because of the collapse in diamond prices towards the end of calendar 2008.

Rockwell sold rough diamonds worth \$9.7m (previous comparable period - \$17m) and sales prices achieved in the first quarter were below the cost of production.

Bristow noted that "prices achieved in the second quarter have covered the cost of production but have not been sufficient to cover fixed overheads in full and lease payments.

“To maintain liquidity sales were made below production cost. In July and August cash inflows from sales have exceeded outflows from operating expenses though overall inflows have not been sufficient to cover the full costs of the lease payments on a limited amount of earthmoving equipment. “

That situation forced Rockwell into invoking the payment deferral with Komatfin.

Bristow said Rockwell had beaten its production target of 2,500 carats per month from its three operating mines during the period June to September and achieved a record monthly production of 3,016 carats for September.

The average diamond price received rose 54% to \$855 per carat in the second quarter compared with \$555 per carat in the first quarter.

Average operating costs were held to \$2.72/t for the six months while the average cost including rehabilitation, hire purchase payments and royalties was \$4/t.