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Rockwell Diamonds 'cautiously optimistic' diamond market will continue to pick up

VANCOUVER, B.C. - Rockwell Diamonds Inc. (TSX:RDI), a Canadian miner with operations in South Africa, is "cautiously optimistic" the market for its shiny stones will continue to improve after a near collapse earlier this year due to the recession.

Rockwell is the latest Canadian-based miner to report signs of a recovery in the diamond market, which comes in the run-up to the crucial holiday shopping season.

While they are sometimes marketed as an investment that is "forever," diamond sales have been hammered as a result of the global recession, as consumers cut back spending on luxury items.

Rockwell president and chief executive John Bristow said both sentiment and prices are on the upswing.

"We have seen encouraging signs of improvement in demand and prices in the diamond market," Bristow told investors during a conference call Tuesday.

"We are cautiously optimistic in respect of the remainder of 2009 and maintain that there is likely to be further improvement in prices in the new year."

Rockwell said prices have improved by about 15 to 20 per cent in recent months from the initial sharp fall of about 50 per cent earlier this year.

Rockwell recently reported a loss of \$6.6 million for the six month period ending Aug. 31. That compared to a net loss of \$3.1 million for the same time last year.

Rough diamond sales for the six-month period were \$9.7 million, compared to \$17.0 million for the same time last year.

"The loss was due to the collapse in the diamond market and precipitous decline in diamond prices" earlier this year, the Vancouver-based company said.

While some investors worry diamond prices may have run up too far, too fast, Rockwell's diamond marketing and sales manager Jeffrey Brenner isn't overly concerned.

"At the end of the day the diamonds are getting sold, jewelry sales are increasing," Brenner told investors.

He said there is some speculation "but it's a more secure level of speculation that what we experienced last year."

Brenner said speculation 'is probably is a little bit high, but bearing in mind Christmas (is) coming and the market is going on the up, and we had a massive decrease - I would say it's not at risk."

Last month, Harry Winston Diamond Corp. (TSX:HW) cancelled a winter shutdown of its Diavik diamond mine in Canada's Far North and ramped up its 2010 delivery, saying the market has "improved substantially" since early 2009.

The company said its July rough diamond sale price was full 50 per cent higher than in March, due to strong demand from Asia and India that has boosted prices and sales. However, it noted the U.S. market has not seen the same rebound.

De Beers Canada also cancelled a winter work stoppage at its operations in Snap Lake, 220 kilometres northwest of Yellowknife.

On the Toronto Stock Exchange Tuesday, Rockwell shares fell a half cent to 7.5 cents. The stock was trading at 23 cents a year ago, and 2.5 cents in March.

Rockwell is working on an equity offering to raise between \$7 million and \$10 million. It said the money will be used to pay short term debt and possibly update its Wouterspan processing plant.

Rockwell diamond properties and projects include the Holpan-Klipdam and Wouterspan properties and the Saxendrift, Niewejaarskraal & South Bank Middle Orange River operations.

Earlier this year, as a result of the recession's impact on its business, Rockwell restructured its operations and put its Wouterspan operation on care and maintenance. It also cut 180 staff and cut operating costs.

A year ago, privately held Pala Investments Holdings Ltd withdrew a \$85.7-million hostile takeover bid for Rockwell.