

Rockwell Diamonds

centred on consolidation and growth

Junior diamond alluvial mining is emerging aggressively as a significant producer of high value gemstone diamonds, just as the world's diamond production from major kimberlite mines show signs of contraction. There are also no obvious large kimberlite mines on the horizon which would be capable of replacing declining diamond production. Rockwell Diamonds has positioned itself as a competitive player within the alluvial diamond production sector, and aims to grow its presence through organic and acquisitive consolidation in the future, Rockwell CEO and president, Dr John Bristow, tells Laura Cornish.

SOUTH AFRICA

Between its three current producing operations, Wouterspan on the Middle Orange river, and Klipdam and Holpan north of Kimberley, Rockwell Diamonds (Rockwell) produces between about 2000 to 2500ctpm.

"If Rockwell meets its 2011 growth target, carat production will increase to between 6000ctpm and 7000ctpm, which will include additional production from expansion of its existing operations, and the re-opening and development of prospecting and mining projects located on the south bank of the Middle Orange River. These projects are in the process of being acquired from Trans Hex, including Niewejaarskraal and Saxendrift. Currently finalisation of ministerial consent is being awaited in respect of concluding the Trans Hex acquisition. The company has also recently been awarded four new prospecting permits in the Middle Orange River area, and a further two prospecting rights to the south of its Holpan mining operation located to the north of Kimberley," he says.

Bristow explains: "The Middle Orange is well known for recovering excellent quality, large gemstones on a regular basis, which the company sees as a niche diamond production opportunity gap in the market. I believe Rockwell's unique success will lie in recovering big stones on a regular basis."

At the end of last year, Rockwell sold a rare 7.28 flawless intense pink carat from its Holpan operation for \$1.05m. "The



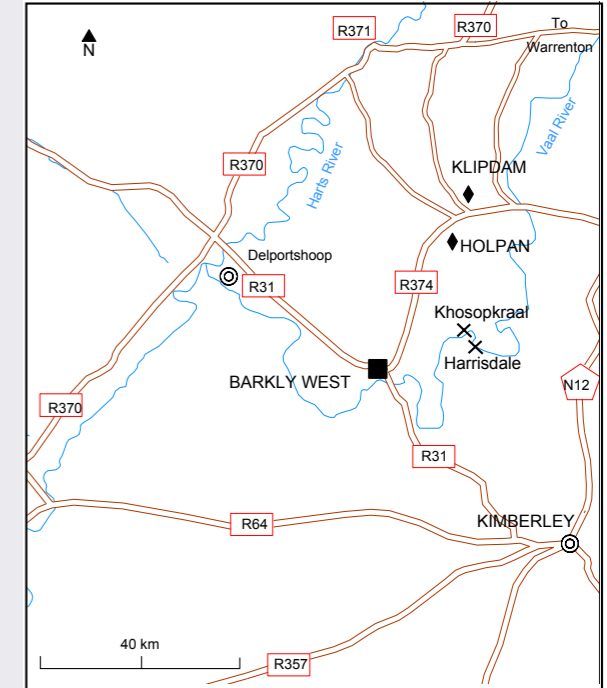
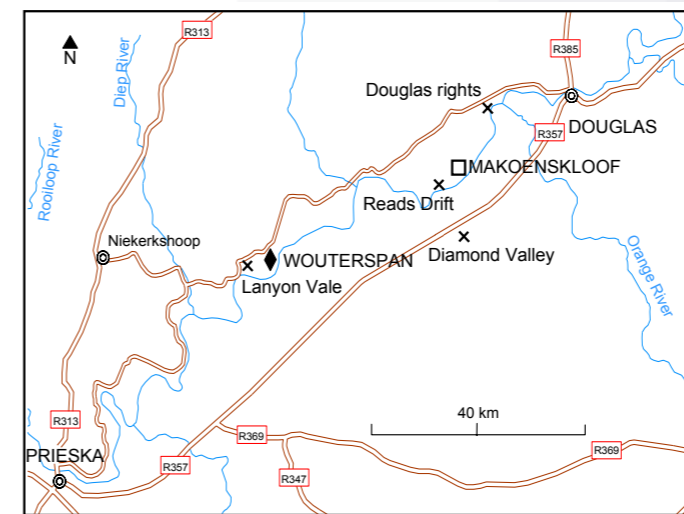
Dr John Bristow.

achievement of a record price for this stone attests to the potential for exceptional rarity, quality and value of the diamonds that are recovered from our unique Northern Cape alluvial diamond deposits."

Excluding two of the prospecting sites near Kimberley, the remaining prospects are located in the Middle Orange River, between Douglas and Prieska, which are separated by a distance of 12km. Although they will remain separate mining operations, Bristow's intention is to consolidate all its present and future operations in the Middle Orange River under one management structure.

This will ensure that overheads are spread across several mining operations, ensuring that operating costs remain low. Operating costs are currently about \$3/t. As the company expands its footprint in this area it will be able to spread and share 'movable' infrastructure and support and service personnel and costs between operations.

Work done on its existing Middle Orange River deposits, and information available for the other projects which it aims to acquire, has shown that there are considerable tonnages



of low grade diamondiferous gravel preserved in extensive remnant terraces.

Bristow says that the Middle Orange deposits are estimated to have a 10-15 year lifespan, based on the current knowledge of the area, but this estimate could turn out to be even higher once further resource delineation work is done.

"We are still conducting reverse circulation and prospecting work on existing and new projects, and our current resource figures probably have the potential to double," Bristow adds.

In November last year, Rockwell completed a successful inward listing on the JSE and at the same time raised R100m. It plans to utilise a portion of these funds to aggressively develop projects that it will acquire through the Trans Hex Middle Orange River acquisition process, including Niewejaarskraal mine, which is still on care and maintenance, purchase additional large earth-moving equipment, and invest in improved diamond recovery systems, either in the form of new X-Ray or Optical Sorter technology.

The testing and acquisition of new diamond recovery systems is aimed at the potential recovery of larger diamonds than the maximum size (up to about 220 carats) recovered by existing systems. Inclusion of two new X-Ray optical sorters will enable the firm to recover large diamonds (+300cts - 400cts) in 30mm - 70mm size fractions.

Literature and other studies of these deposits have shown that diamonds of 300 - 400 carats have previously been found in these deposits.

In addition to its JSE listing, Rockwell is also in the process of migrating its Toronto Stock Exchange listing from the Venture Capital Board to the Main Board, thereby enhancing the company's presence on the 'radar screen', as well as allowing the company to list the warrants issued to shareholders in previous capital raisings.

In addition to organic consolidation, Bristow's long-term vision for the company includes an acquisitive consolidation strategy.

The CEO foresees upside potential for driving the merger and consolidation of other mid-tier and small-scale diamond juniors, which could significantly impact the sector, augmenting and streamlining the efficiency and process of alluvial diamond production in South Africa and elsewhere in southern Africa.

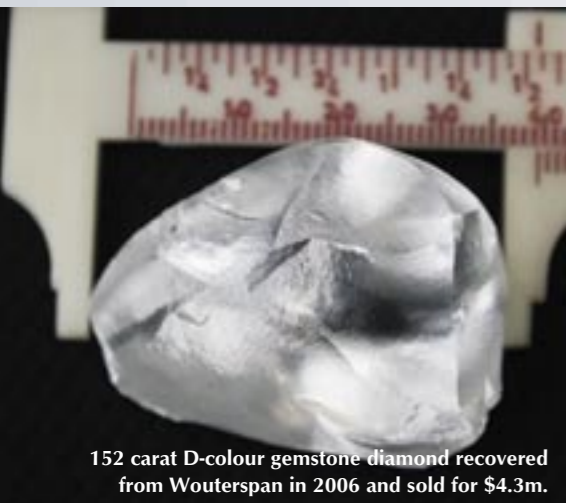
Its focus will remain on assets which are similar to its own, and which are close to production, or already producing.

Holpan DMS and final recovery units

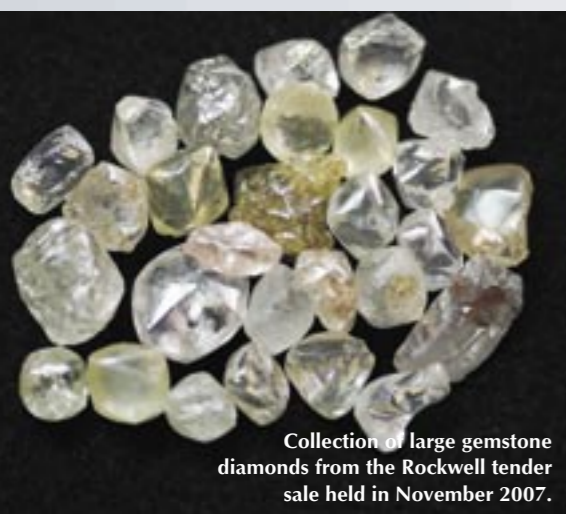




7.28 carat pink diamond from Holpan mine, sold in November 2007 for \$145 000 per carat.



152 carat D-colour gemstone diamond recovered from Wouterspan in 2006 and sold for \$4.3m.



Collection of large gemstone diamonds from the Rockwell tender sale held in November 2007.

DRC

According to alluvial diamond experts like BRC Diamondcore's CEO, Theo Botoulas, the DRC remains the world's next massive alluvial diamond capital, with endless kilometres of un-mined alluvial diamonds situated along the Kwango river.

Rockwell has a 60km prospecting right along the river, which already has seen production from small scale workings in and adjacent to this river.

Says Bristow: "The success of this company lies in its concentration on areas where it is confident in the presence of alluvial diamonds, rather than spending financial resources on grass roots exploration. Although Rockwell has already performed some geological and geophysical work in the area, and has the budget in place for its development, the long term success of this project lies in overcoming logistical and infrastructure challenges."

The prospect lies in close proximity to BRC Diamondcore's alluvial prospects along the river, which may provide some synergies in terms of logistical and infrastructure opportunities in the future.

Rockwell is also investigating other possible opportunities in southern Africa. Both Bristow and CFO, Dominique de la Roche, have first-hand experience of Botswana. There are possibilities that the company may also look at this diamond-rich country in the future. In the short term, however, Rockwell intends to focus on its existing assets.

BENEFICIATION AND BLACK ECONOMIC EMPOWERMENT

Rockwell is also actively working with its empowerment partner to target additional diamond projects. Its BEE partner - Africa Vanguard Resources (AVR) - headed by Sandile Zungu,

holds a 26% stake in the company and is a "great operating partner and shares Rockwell's vision for becoming a mid-tier diamond mining company."

AVR has a significant investment in a small diamond alluvial project in close proximity to Wouterspan - called Jasper Mining - which it is using as a skills development base, and is also looking at other similar projects with Rockwell.

"Our company supports beneficiation in the country, and has secured a marketing agreement with Steinmetz Diamond to manufacture and market select high value gemstone diamonds. This specialised cutting and polishing, as well as other beneficiation initiatives of Rockwell's, are all being implemented in South Africa."

Bristow admits that whereas the appreciation of top quality diamonds was previously focused on established trading centres and markets, such as Antwerp, Israel and New York, changing wealth patterns in the world's populace are ensuring that regions such as the Middle East with its oil wealth, China, and India are becoming significant markets for the high-quality gem diamonds mined by Rockwell. These markets are providing new opportunities for Rockwell's high-value niche product.

In conclusion, Bristow points out that the company has a single-minded attitude towards health, safety, security and the local communities in which it operates. It has invested heavily in all these key areas, and is proud to have won the Northern Cape Mine Managers' Health & Safety competition, which was held in October in Lime Acres. Some thirteen companies participated in this competition, including all the well-established major mining companies, such as De Beers, Assmang, Kumba, and Sishen, which is active in the Northern Cape province. ○

Cullinan story

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Wouterspan mine on the north bank of the Middle Orange River between Douglas and Prieska