ROCKWELL DIAMONDS INC.

REJECT THE PALA OFFER

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Investor Presentation

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TSX:RDI JSE:RDI OTCBB:RDIAF

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Unsolicited, Hostile Takeover Attempt by Pala Investments

This document is important and requires your immediate attention. If you are in doubt about how to respond to the offer, you should consult with your investment dealer, stockbroker, bank manager, lawyer or other professional advisor. Enquiries concerning the information in this document should be directed to Barnes&Kingsway Inc. at the telephone number listed on the back page.

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DIRECTORS' CIRCULAR
recommending

REJECTION

of the offer by

0833824 B.C. LTD.

an indirect wholly-owned subsidiary of

PALA INVESTMENTS HOLDINGS LIMITED

to purchase all of the common shares of

ROCKWELL DIAMONDS INC.
for $0.36 per common share

DIRECTORS' RECOMMENDATION

The Board of Directors of Rockwell Diamonds Inc. ("Rockwell") unanimously recommends that shareholders REJECT the offer and NOT TENDER their common shares to the offer. The following are the primary reasons for the Board of Director's recommendation:

- Pala's offer significantly undervalues Rockwell's assets and growth potential;
- the financial advisor to the special committee of independent directors appointed to review the Offer has determined that the consideration under the Offer is inadequate, from a financial point of view, to Shareholders;
- Pala's offer is highly conditional; and
- the timing of Pala's offer is opportunistic.

Shareholders who have already tendered their shares to Pala's offer, should immediately WITHDRAW them.

September 19, 2008

NOTICE TO NON-CANADIAN SHAREHOLDERS

The financial statements of Rockwell are prepared in accordance with Canadian generally accepted accounting principals and thus may not be comparable to financial statements of the United States and other non-Canadian jurisdictions. The enforcement by shareholders of civil liabilities under U.S. federal securities laws or under the laws of other non-Canadian jurisdictions may be affected adversely by the fact that Rockwell Diamonds Inc. exists under the laws of British Columbia, the majority of its officers and directors are residents of countries other than the United States and that a substantial portion of the assets of Rockwell Diamonds Inc. are located outside the United States. This transaction has not been approved or disapproved by any U.S. or other securities regulatory authority, nor has any such authority passed upon the accuracy of adequacy of this document. Information concerning mineral deposits is prepared in accordance with Canadian disclosure requirements, which differ from the requirements of the U.S. Securities and Exchange Commission applicable to United States companies. See "Note Concerning Resource Calculations".

The Board of Directors of Rockwell unanimously recommends that shareholders REJECT the hostile bid

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Pala's Offer

- Announced on September 9, 2008
- Inadequate offer of **$0.36** per share in cash for all outstanding shares, valuing Rockwell at **$86 million**
  - Offer significantly undervalues Rockwell
- Conditional on:
  - Deposit of:
  - 2/3 (66-2/3%) of outstanding shares
  - 50.1 % of independent shares
  - Provisions of Shareholder Rights Plan waived
  - Access to due diligence no later than September 24, 2008
  - Expiry date of **November 10, 2008**

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Reasons to Reject the Pala Offer

- Inadequate value
  - Offer fails to recognize Rockwell's current value and future potential in a rising market for its high-value products
- Highly conditional/high risk
  - Imbalance of risk between other existing shareholders and bidder
- Insufficient time for Rockwell to explore potential short- and long-term alternatives that could maximize shareholder value

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Inadequate Value

Pala wants to buy a company with in-situ diamond value of approximately US$1.1 billion for just $85.7 million

- Rockwell produces high-value diamonds ($1,700+ per carat since Mar/06; $1,881 per carat current YTD)
- Our in-situ diamond resources are valued at $1.1 billion
- Pala’s offer is at significant discount to Rockwell’s true value, valuing Rockwell equity at only $85.7 million
- Offer of $0.36 is only equal to July 14, 2008 share price and significantly below initial “friendly” bid
- Rockwell’s independent financial advisors deemed Pala’s offer to be financially inadequate

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Highly conditional/high risk

- Offer gives Pala broad discretion to abandon bid
- Since Pala has no experience in managing a diamond mining company in South Africa, its ultimate objectives are unclear

Wouterspan – Middle Orange River Mine

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Insufficient time

- Pala’s offer is highly opportunistic and strategically timed to disadvantage other Rockwell shareholders
- Comes immediately after successful resolution of five-week labour dispute that had huge short-term impact on production
- Financial markets currently in turmoil
- Given time and shareholder support, Rockwell’s management team has the ability and resources to pursue a variety of strategic options

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Strategy to Deliver Shareholder Value

Significant potential to increase production of high value diamonds during a period of strong growth in diamond prices.

- Fully financed Brownfields projects to significantly grow production
- Expansion projects will be funded from current working capital (including $10 million in available cash as at August 31, 2008) and cashflow from operations
- Management currently anticipates that Rockwell's production will increase from:
  - FROM: Approx. **23,000 carats per year** (for the 12 months ended February 29, 2008)
  - TO: Approx. **70,000 carats per year** (for the 12 months ending February 28, 2011)
- Steinmetz Agreement delivers revenue straight to Rockwell's bottom line, generating immediate cash flow without infrastructure cost or business risk

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Drivers for Production Growth

Saxendrift high volume wet rotary plant

- Commissioning in the fourth quarter of 2008 is expected to increase production from 90,000 tonnes per month to 250,000 tonnes per month (ramping up further to 380,000 tonnes per month)
- New final recovery plant will centralise final processing for brownfields expansion projects to further save on capital costs

Wouterspan B Plant

- Commissioning in the first quarter of 2009 is expected to increase production from 200,000 tonnes per month to 350,000 tonnes per month

Niewejaarskraal

- Modernizing and adding modular rotary pan plants, with commissioning expected in 2010
- Production expected to ramp up to 350,000 tonnes per month.

Remhoogte and Other MOR Terraces

- Modernizing and adding modular rotary pan plants, with commissioning expected in 2011
- Production expected to ramp up to 350,000 tonnes per month

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Diamond Market Dynamics

- Demand outstripping supply
- Market showing resilience in current economic turmoil:
  - Seasonal adjustments apparent
  - Speculation has declined
- De Beers has increased prices 3 times in 2008
- Increasing shortage of high value (+2 carat) diamonds
  - +2 caraters = approx. 7% of world production by volume, 45% by value
    - 57% of Rockwell volume and 95% of value for FY 2008
  - +5 carat stones have become an ‘investment’ for the wealthy
- During the nine months ended February 29, 2008
  - Rough prices for stones from 2 to 10 carats increased by 15-20%
  - Rough prices for stones that were larger than 10.8 carats increased by 30%.
  - Rough prices for diamonds that were less than two carats increased only 5%

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Focused on Organic and External Growth Opportunities

Organic Growth

- Re-investment leading to increased production in near term
- Saxendrift mine on time and on budget
- Establishing cutting and polishing factory in Barkly West
- Enhanced focus on managing fixed and variable costs and optimization of plants and operations

External Growth

- Primary focus on high value alluvial brownfield diamond projects
- Five new prospecting permits in RSA; four in MOR area
- Identified additional properties and resources adjacent to Holpan and Klipdam

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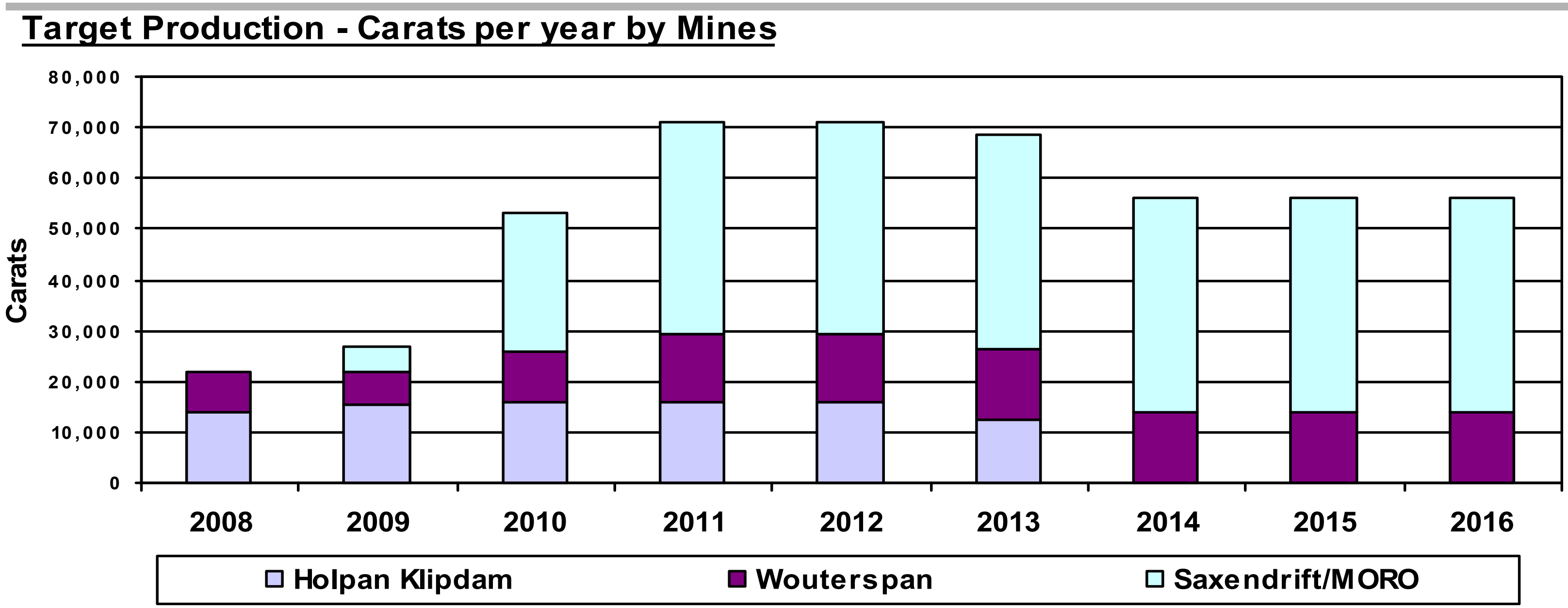
Target Production – Carats



Target production estimates based on current NI 43-101 compliance reporting standards

FY Feb	2008	2009	2010	2011	2012	2013
Carats	23,000	26,700	53,000	70,500	70,000	70,400

Assumptions:Additional operations at Saxendrift & South Bank Middle Orange River Operations – Niewejaarskraal FY 2010 and Remhoogte FY 2011

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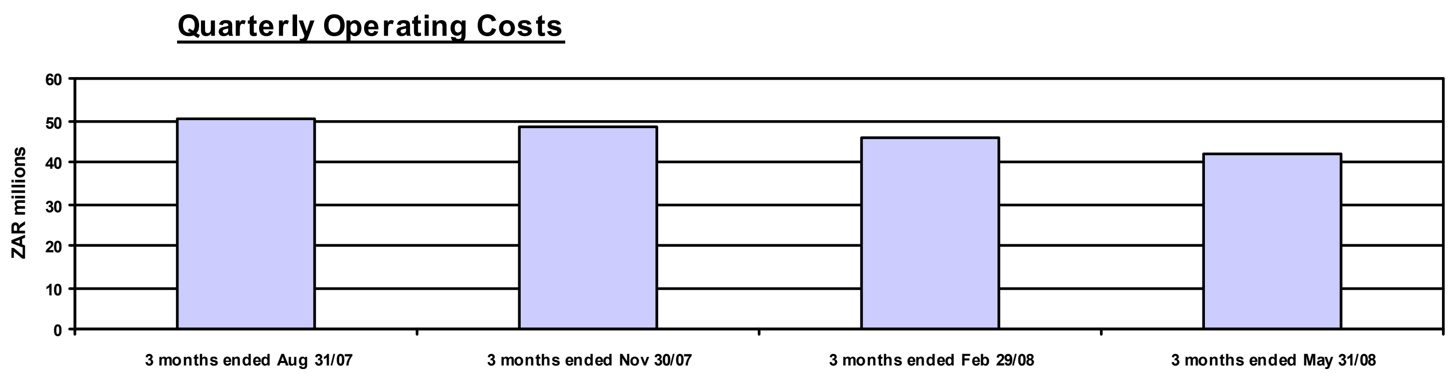
Managing costs

Rockwell Management maintains strict cost control

- The Company is fully focused on controlling costs in a highly inflationary environment
  - South African Gold and PGM industry unit operating costs increased by 30%+ in Rand terms, 20%+ in dollar terms
- Historical unit operating costs were impacted negatively in the early part of 2008 by disruption to electrical power supply at the operations
- Unit costs increased in Q2 2009 due to industrial action but will decline as production increases over a largely fixed cost base
- Rockwell's quarterly operating costs have declined in the past 12 months of production



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Investment Highlights

- Producer of exceptionally high value diamonds
- Established low cost producer and developer
- Sufficient cash flow to fund growth strategy
- Focused on organic and external growth opportunities
- Adding premium to diamond sales through Steinmetz beneficiation agreement
- Enhanced value through management experience and strategic relationships

Two matching 10carat vivid yellows

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Summary

Rockwell is a well-managed company selling into a rising market and is well-positioned to deliver enhanced shareholder value over time

- After careful consideration and independent evaluation, Pala's bid has been shown to be financially inadequate and opportunistic
- Rockwell's directors and management are significant shareholders in the company whose interests are fully aligned with those of their fellow owners
- The Board unanimously recommends rejection of the inadequate Pala bid
- Rockwell has always acted in the interests of all its shareholders; Pala's actions are clearly intended to benefit only one of them
- **Rockwell's Objective→Maximize Value for All Shareholders**

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