

# Maximizing Value

Executive Directors

Rockwell Diamonds Inc.

Presentation - June 2009

TSX:RDI JSE:RDI OTCBB:RDIAF



# Executive Directors

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- **David Copeland, P.Eng.**  
Executive Director and Chairman of Rockwell
- **Dr. John Bristow**  
Executive Director, President and CEO
- **Dr. Mark Bristow**  
Executive Director

# Disclaimer...

This presentation includes certain statements and other information that may be deemed "forward-looking". Other than statements of historical fact all statements in this presentation that address future production, resource potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. For more information on Rockwell, Investors should review Rockwell's annual Form 20-F filing with the United States Securities and Exchange Commission [www.sec.com](http://www.sec.com) and the Company's home jurisdiction filings that are available at [www.sedar.com](http://www.sedar.com).

# Pala - Attempting a Cashless Takeover

**The Executive Directors of Rockwell's  
Board unanimously recommended  
that shareholders**

**VOTE AGAINST**

**Pala's resolutions**

Pala, a minority shareholder, is proposing resolutions at the June 17<sup>th</sup> 2009, special shareholders meeting, which will effectively cause a cashless takeover, if successful.

**VOTE YOUR GREEN PROXY**

# Rockwell – Top of the Diamond Curve

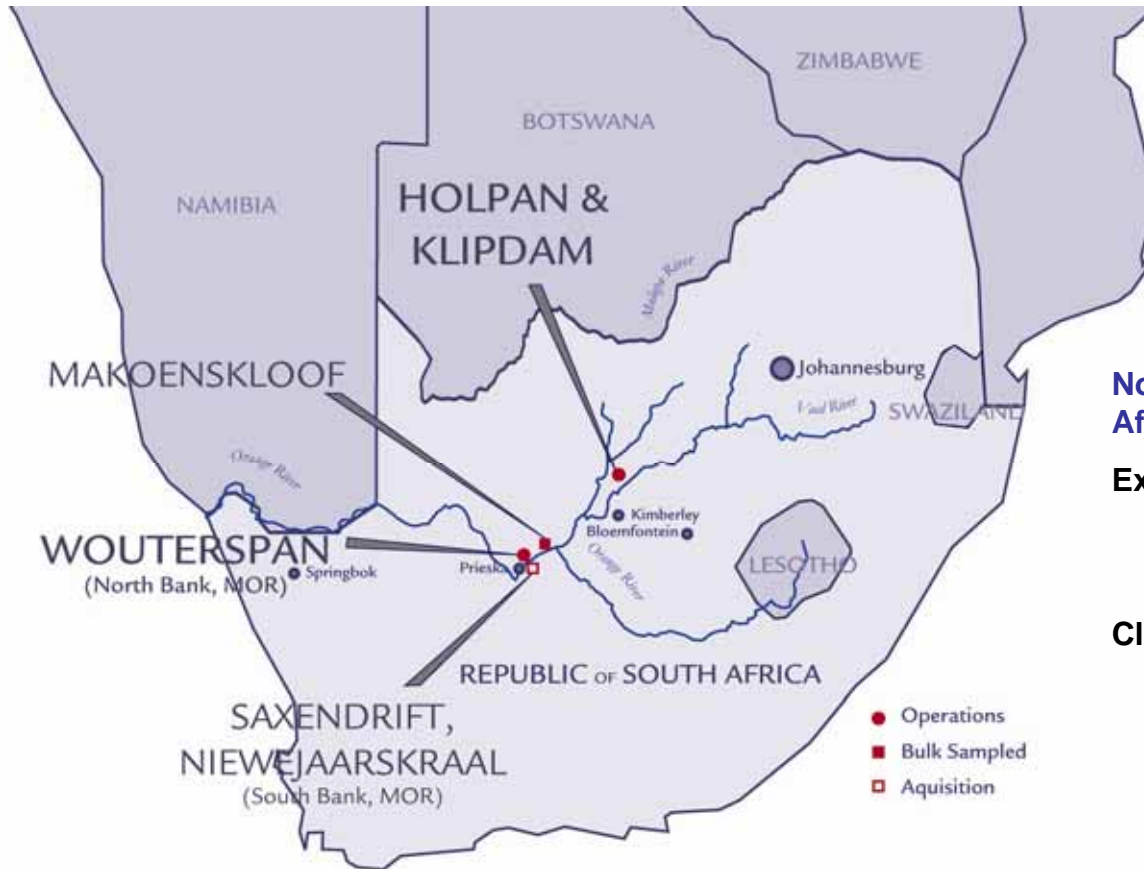
- Established alluvial diamond mining company
- Alluvial deposits in South Africa
- Production profile:
  - Exceptionally rare and large diamonds
  - 65% of production predominantly +2 carat gemstones



189.6 carat D colour  
US \$10.3 million  
(US\$54,300/carat )

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# Rockwell Project locations



**Northern Cape Province, South Africa:**

**Excellent Infrastructure**

- **Projects located on major road/rail systems**

**Close proximity of operations**

- **flexibility to centralize management, optimise use of equipment and human resources**

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# Diamond Industry in a Perfect Storm

- **Rough diamond tender prices 50% lower than pre-October 2008**
  - Weak buying and depressed trading due to credit crunch
  - DeBeer's rough diamond sales in the first few months of 2009 were the worst in 25 years (RBC Capital Markets)
- **Significant production cut backs by all producers industry wide**
  - Debswana suspended operations until May 2009
    - World's largest producer
    - 50/50 joint venture between Botswana and DeBeers
    - Debswana (32.3m ct) had been 67% of DeBeers total carat production (worldwide rough production ~160m ct)
  - Most diamond mines are curtailing production, reducing costs or closing altogether

# Proactive Measures Taken by Executive Directors

## ➤ **Management restructures operations to reduce costs and conserve cash**

- Curtailed 2009 capital expenditures
- Extended normal shut-down period to two months (December 2008 to January 2009) to reduce costs – completed essential repair and maintenance
- Reviewed all contractual arrangements, non-core activities to reduce costs
- Suspended Wouterspan operation, restructured Middle Orange River Operations, retrenched/terminated contracts of 180 employees
- Conducted two month rolling review of financial results and market conditions

# Proven Leadership – Strong on Execution

- Grown company from family owned operation to a mid-tier producer
- Acquisition of TransHex's Middle Orange River Operations in April 2008 substantially increased resource base
  - Additional resources containing 345,000 carats and growth potential with brownfield alluvial projects
- Rapidly responded to national power crisis (ESKOM) in early 2008
  - Mitigated production losses
- Strong relationship with Department of Minerals and Energy, National Union of Mineworkers
  - Conversion of mineral holdings into new order mining rights and securing mineral title
  - Implementation of significant improvements in labor relations

# Interests of Executive Directors Aligned with Shareholders

## ➤ **David Copeland. P.Eng, Chairman and Director**

- More than 30 years global mining exploration, discovery and development experience
- Expertise in alluvial bulk sampling, and alluvial start-up operations

## ➤ **Dr. John Bristow, President & CEO, Director**

- More than 30 years in diamond industry
- Exploration, evaluation and mining of kimberlite and alluvial diamond deposits,
- DeBeers, Kalahari Diamonds, Gem Diamond Mining
- Significant diamond mining experience in South Africa

## ➤ **Dr. Mark Bristow, Director**

- More than 20 years in mining exploration and development in Africa
- CEO of Randgold Resources

**Experienced Directors who have  
Purchased Shares**

# Unrecognized Values and Strengths

- **Fully financed expansion projects to significantly grow production**
  - Construct and commission a processing plant on Niewejaarskraal (a fourth mine)
  - Modernize and re-open the Wouterspan mine, currently on care and maintenance (fifth operating mine)
- **Low production costs**
  - Unit costs at lower end of targeted operating cash cost of US\$3.00 – \$3.50 per tonne
- **Considerable resource growth (>50%)**
  - Due to expertise in drilling, mapping and grade control
- **Operational flexibility from consolidation of properties in close proximity**
- **Diversified sales strategy**
  - Tender system enhanced by direct sales in various markets
  - Marketing agreement with Steinmetz Diamond Group
- **Significantly improved Industrial Relations**

# Goal of Executive Directors

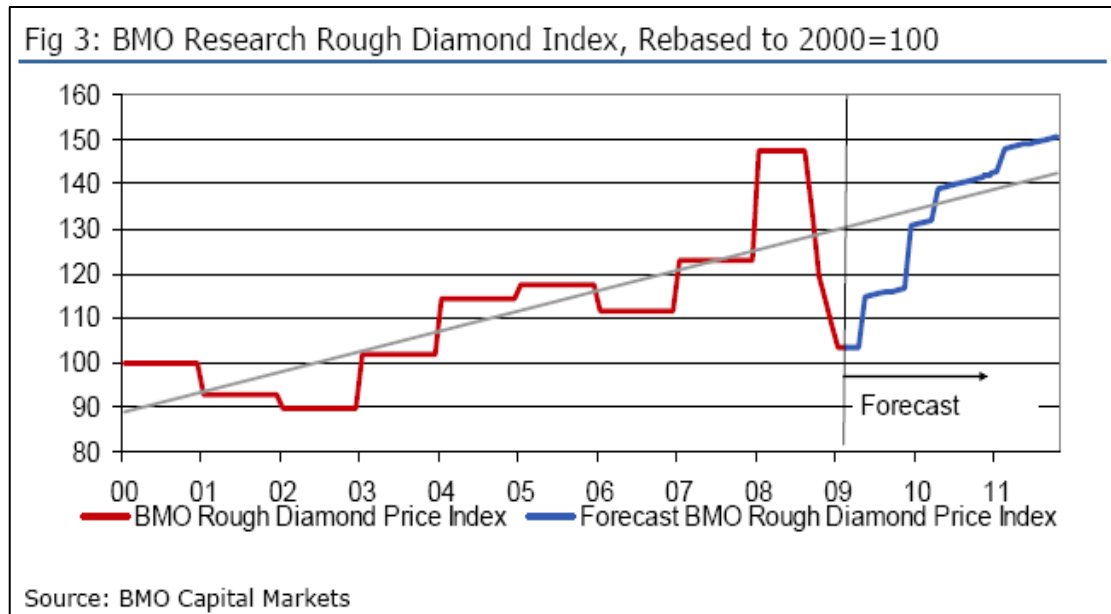


**Capitalize on position of lowest cash cost mid-tier operator in the alluvial diamond business**

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# Longer Term Diamond Market Outlook Positive

- In March 2009, BMO forecast a gradual recovery in diamond prices starting mid-2009, as destocking is completed amidst shortages created by the cuts in sales and production from De Beers and Alrosa



**Diamond Prices Will Rise as the  
Global Economy Recovers**

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# Near Term Strategy

- **Continue with operational improvements**
  - “Smart Mining” - active revision of mine plans, haul-way layouts, plant locations, rehabilitation sequencing
  - In-pit screening where feasible (particularly in the dry winter period)
  - Dynamic stockpile management
  - Extensive rationalization and optimization of mining fleet
  - Utilization of larger fuel efficient fleet
- **Increase processing and recovery plant efficiencies**
  - Upgrades at Holpan Dense Media Separation plant
  - Debottlenecking of high-volume Saxendrift plant
- **Succession planning**
  - Strengthen and realign executive and operations management

# Longer Term Strategy

- **Prepare to increase production in anticipation of improving market fundamentals**
  - Commissioning a processing plant on Nieuwejaarskraal by 2010
  - Modernizing and re-opening the Wouterspan mine
- **Pursue consolidation opportunities**
  - Accretive acquisitions
  - Focus on alluvial producers or near term producers
- **Continue to increase operating efficiencies and reduce cost**

# Committed and Collaborative Board

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- Mr. David Copeland, Chairman
- Dr. John Bristow, President & CEO
- Dr. Mark Bristow, Director
- Mr. Bill Fisher, Director
- Mr. Terry Janes, Director
- Mr. Greg Radke, Director
- Mr. Sandile Zungu, Director

# Corporate Governance

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- **Regular Board Meetings**
- **Regular Director site visits**
- **Regular EXCO (Executive Committee of Operations) Meetings**
  - Set of policy documents and procedures strongly adhered to in respect of:
    - Office procedures, Capital purchases and Procurement
    - Health and Safety
    - Environment and Community
    - Kimberley Process

**Acting in the Best Interests of  
Shareholders**

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## Pala's Resolutions Would Destroy Shareholder Value

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- Remove the Executive Directors
- Terminate Shareholder Rights Plan Agreement
- Dominate the Board
- Entrench themselves with “Self-Serving” rights offering

**Gaining a chokehold voting position in Rockwell's shares**

# Pala's Previous Failed Hostile Takeover Attempt

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- September 2008
- Opportunistic timing – share price depressed due to financial crisis
- Inadequate offer of \$0.36 per share in cash for all outstanding shares, valuing Rockwell at \$86 million
  - In-situ value of resource is approximately US \$1.1 billion (Approximately 160 million tonnes of inferred and 30 million tonnes of indicated resources at pre-October 2008 diamond prices)
- The Executive Directors agreed to the appointment of three of Pala's Directors nominees

# Pala Proposing a Cashless Takeover

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## Resolution #1

Remove Executive Directors and replace with Dissident's slate of nominees

## **Reasons to Reject this Resolution:**

- Dissident slate lacks independence
- Interests of nominees not aligned with shareholders
- Pala and certain of its nominees lack South African mining and alluvial diamond mining experience

# Pala Proposing a Cashless Takeover

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## Resolution #2

### Terminate Shareholder Rights Plan

#### **Reasons to Reject this Resolution:**

- Opportunistic timing
- Leaves door open to a further predatory bid
- Pala could back-stop their own Rights Offering
- Pala could increase past 20% shareholding
- Inhibit an auction process

# Executive Directors Propose Fair Rights Offering

- Proposing C\$3.5 million
- Maximum 60 million shares (25% outstanding shares) at current market price
- Amount of shares based on pro-rata interest and no individual shareholder can acquire more than a 20% stake
  - Prevents triggering of Shareholder Rights Plan
- Executive Directors have received expressions of interest to back-stop

# Only Executive Directors can Maximize Value

## Executive Directors

**Experience** ✓ On average, more than 25 years diamond mining and mid-tier mining experience in South Africa

**Strategy** ✓ Detailed near and long-term strategic plan

**Alignment of Interests** ✓ Bought shares personally

✓ Will work for all shareholders

## Pala Nominees

✗ 2 of 3 nominees have NO diamond mining and mid-tier mining experience

✗ Have proposed NO strategic plan

✗ 2 of 3 nominees own no shares

✗ Will be beholden to Pala

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# Investment Highlights

- Producer of exceptionally high value diamonds
- Established low cost producer and developer of alluvial diamond deposits
- Proven management
- Strategy to grow organically and through acquisitions

**VOTE YOUR GREEN PROXY**

# Summary

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- Pala's attempted takeover is opportunistic
- Executive Directors and management are significant shareholders in the company
- Executive Directors' interests aligned with shareholders

**Executive Directors Unanimously recommend  
VOTE AGAINST  
Pala's resolutions**

**VOTE YOUR GREEN PROXY**