



CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED AUGUST 31, 2006

(Expressed in Canadian Dollars)

(Unaudited)

These financial statements have not been reviewed by the Company's auditors.

ROCKWELL VENTURES INC.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	August 31 2006 (unaudited)	May 31 2006
ASSETS		
Current assets		
Cash and equivalents	\$ 185,115	\$ 192,031
Marketable securities (note 3)	–	1
Amounts receivable	77,426	30,776
Prepaid expenses	353,983	33,648
Loan to Durnpike Investments (Pty) Limited (note 4 and 8)	7,780,778	–
	8,397,302	256,456
Security deposit	32,190	32,190
Mineral property interests	1	1
	\$ 8,429,493	\$ 288,647
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 162,123	\$ 167,600
Due to related parties (note 8)	253,815	978,470
Convertible promissory notes (note 6)	9,182,620	–
	9,598,558	1,146,070
Shareholders' deficit		
Share capital (note 7)	12,679,363	11,857,649
Convertible promissory notes – conversion right (note 6)	139,668	–
Contributed surplus (note 7(d))	561,124	523,420
Deficit	(14,549,220)	(13,238,492)
	(1,169,065)	(857,423)
Nature and continuance of operations (note 1)		
Subsequent events (notes 4, 5, 6 and 9)		
	\$ 8,429,493	\$ 288,647

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Jeffrey R. Mason

Jeffrey R. Mason
Director

ROCKWELL VENTURES INC.

Consolidated Statements of Operations

(Unaudited - Expressed in Canadian Dollars)

	Three months ended August 31	
	2006	2005
Expenses		
Exploration (schedule)	\$ 174,741	\$ 36,737
Financing fees	15,713	–
Foreign exchange loss	5,751	502
Legal, accounting and audit	215,358	6,326
Office and administration	296,592	66,047
Property investigations	–	26,288
Shareholder communications	40,437	702
Stock-based compensation - exploration (note 7)	20,009	–
Stock-based compensation - administration (note 7)	18,032	–
Travel and conferences	135,763	777
Transfer agent filings	44,979	667
	<u>967,375</u>	<u>138,046</u>
Other items		
Interest income	(1,436)	(733)
Accretion expense	344,788	–
Write-down of marketable securities	1	17,461
	<u>343,353</u>	<u>16,728</u>
Loss for the period	<u>\$ 1,310,728</u>	<u>\$ 154,774</u>
Deficit, beginning of period	\$ 13,238,492	\$ 11,637,819
Deficit, end of period	<u>\$ 14,549,220</u>	<u>\$ 11,792,593</u>
Basic and diluted loss per common share	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Weighted average number of common shares outstanding	<u>24,191,170</u>	<u>23,613,944</u>

The accompanying notes are an integral part of these consolidated financial statements.

ROCKWELL VENTURES INC.

Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

Cash provided by (applied to):	Three months ended August 31	
	2006	2005
Operating activities		
Loss for the period	\$ (1,310,728)	\$ (154,774)
Items not affecting cash		
Write-down of marketable securities	1	17,461
Accretion expense	344,788	-
Stock-based compensation	38,041	-
Changes in non-cash working capital items		
Amounts receivable and prepaids	(68,442)	(10,635)
Accounts payable and accrued liabilities	(5,477)	3,122
Cash used in operating activities	(1,001,817)	(144,826)
Investing activities		
Loan to Durnpike Investments (Pty) Limited (note 4)	(7,780,778)	-
Cash used in investing activities	(7,780,778)	-
Financing activities		
Issuance of share capital on options exercised	333	-
Amounts payable to related parties	(724,655)	(3,169)
Issuance of convertible promissory notes (note 6)	9,500,000	-
Cash provided by (used in) financing activities	8,775,679	(3,169)
Decrease in cash and equivalents during the period	(6,916)	(147,995)
Cash and equivalents, beginning of period	192,031	352,677
Cash and equivalents, end of period	\$ 185,115	\$ 204,682
Interest paid during the period	\$ -	\$ -
Income taxes paid during the period	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common shares for convertible promissory notes (note 6)	\$ 522,500	\$ -
Issuance of common shares for credit facility (note 5)	298,543	-
Fair value of stock options allocated to shares issued upon exercise	337	-

The accompanying notes are an integral part of these consolidated financial statements.

ROCKWELL VENTURES INC.

Consolidated Schedules of Exploration Expenses

(Unaudited - Expressed in Canadian Dollars)

Exploration expenses for the three months ended August 31, 2006	African Diamond Properties	Ricardo Property	Canadian Properties	Other	All Properties Total
Engineering	\$ 85,160	\$ –	\$ –	\$ –	\$ 85,160
Geological	(7,968)	1,032	–	–	(6,936)
Property fees and assessments	31,103	7,475	–	–	38,578
Site activities	18,926	33,319	–	–	52,245
Travel and accommodation	5,695	–	–	–	5,695
Subtotal	132,916	41,826	–	–	174,742
Stock-based compensation	20,009	–	–	–	20,009
Incurred during the period	152,925	41,826	–	–	194,751
Cumulative expenses, beginning of period	–	2,387,848	1,481,784	4,027,864	7,897,496
Cumulative expenses, end of period	\$ 152,925	\$ 2,429,674	\$ 1,481,784	\$ 4,027,864	\$ 8,092,247

Exploration expenses for the three months ended August 31, 2005	African Diamond Properties	Ricardo Property	Canadian Properties	Other	All Properties Total
Geological	\$ –	\$ 904	\$ –	\$ –	\$ 904
Property fees and assessments	–	7,942	–	–	7,942
Site activities	–	27,891	–	–	27,891
Travel and accommodation	–	–	–	–	–
Subtotal	–	36,737	–	–	36,737
Stock-based compensation	–	–	–	–	–
Incurred during the period	–	36,737	–	–	36,737
Cumulative expenses, beginning of period	–	2,080,458	1,481,784	3,991,449	7,553,691
Cumulative expenses, end of period	\$ –	\$ 2,117,195	\$ 1,481,784	\$ 3,991,449	\$ 7,590,428

The accompanying notes are integral part of these consolidated financial statements.

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

1. NATURE AND CONTINUANCE OF OPERATIONS

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. However, these interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements which are available through the Internet on SEDAR at www.sedar.com.

Operating results for the three months ended August 31, 2006 are not necessarily indicative of the results that may be expected for the full year ending May 31, 2007.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern. At August 31, 2006, the Company has a working capital deficiency of approximately \$1,201,000 (May 31, 2006 – \$889,000) and has incurred operating losses since its inception. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives. During the quarter ended August 31, 2006, the Company arranged a \$6.0 million credit facility (note 5) and completed a \$9.5 million private placement of convertible promissory notes (note 6). These funds have been used to finance the acquisition of the alluvial diamond properties discussed in note 4. In October 2006, the Company entered into an agreement with agents for a "best efforts" private placement of \$21 million. There can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows in the future. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

3. MARKETABLE SECURITIES

Marketable securities comprise the following:

	August 31 2006	May 31 2006
ComWest Enterprise Corp. (formerly Chatworth Resources Inc.) 62,133 warrants exercisable at \$0.804 until June 4, 2006 (May 31, 2006 – 83,333 warrants with a market value of \$1)	–	1
	\$ –	\$ 1

4. ACQUISITION OF DURMPIKE INVESTMENTS (PTY) LIMITED

On June 30, 2006, the Company entered into an Agreement-in-Principle to acquire interests and/or rights in four alluvial diamond properties in South Africa and the Democratic Republic of Congo. These four properties include the: Holpan/Klipdam Property in South Africa, Wouterspan Property in South Africa, Kwango River Project in the Democratic Republic of Congo and Galputs Minerale Project in South Africa.

The Company will acquire all of the shares and loans in Durnpike Investments (Pty) Limited (“Durnpike”), a private South African company, from eight vendors (the “Vendors”) for consideration set forth below, payable in common shares of the Company (“Common Shares”) related to the closing price of the Common Shares on the TSX Venture Exchange on the specified dates described below. Durnpike holds or is in the process of acquiring an interest and/or rights in the four alluvial diamond properties.

The Holpan/Klipdam Property and the Wouterspan Property are indirectly owned by the H.C. Van Wyk Diamante Trust (“Van Wyk Trust”), a business trust registered in South Africa. Van Wyk Trust holds 99% of HC Van Wyk Diamonds (Pty) Ltd (“HCVW”), a private South African company, and 99% of Klipdam Mining Company Limited (“Klipdam”), a private South African company. The remaining 1% of HCVW and Klipdam are owned by nominees of the Van Wyk Trust. HCVW and Klipdam, are collectively referred to as The Van Wyk Diamond Group of companies (“VWDG”). On July 7, 2006, Durnpike completed the acquisition of an initial 49% of the issued and outstanding shares of HCVW and 51% of the issued and outstanding shares of Klipdam (“The Acquisition Interest”) for ZAR50 million (US\$6.8 million) and will pay an additional ZAR30 million (US\$ 4.1 million) to the Van Wyk Trust on July 7, 2007. Durnpike has an option to increase its shareholding in HCVW to a 51% control interest, upon obtaining necessary regulatory and corporate approvals, by subscribing for additional shares in HCVW in an amount of ZAR1 million (US\$0.14 million) and obtaining the requisite corporate approvals for the introduction of a ZAR24 million (US\$3.3 million) working capital loan into VWDG.

The Company will also enter into an Exchange agreement with the Van Wyk Trust in terms by which it will be granted a call option, and grant a corresponding put option to the Van Wyk Trust, to acquire an additional 23% of VWDG for ZAR60 million (US\$8.2 million), payable in Common Shares. The Exchange shall become effective upon Rockwell having completed a listing of the Company’s Common Shares on the Johannesburg Stock Exchange (“JSE Listing”). The Company is currently in discussions with a Black Economic Empowerment company to acquire the remaining 26% interest in VWDG.

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

To facilitate Durnpike's payment of ZAR50 million to the Van Wyk Trust on July 7, 2006, the Company advanced a non-interest bearing loan to Durnpike of \$7,780,778. This loan is secured by a pledge of Durnpike's Acquisition Interest.

Pursuant to the Agreement-in-Principle to acquire Durnpike, the Company will:

- acquire from the Vendors all of their shares and loans in Durnpike for ZAR34 million (US\$4.6 million), payable in Common Shares of the Company on the earlier of (i) the date of the JSE listing; and (ii) within 9 months from signature of the Agreement-in-Principle, and thereby acquire Durnpike's interests in the four alluvial diamond properties in South Africa and the Democratic Republic of Congo.
- spend US\$7 million on a feasibility study on the Kwango River Project by August 31, 2007. This deadline may be extended to February 29, 2008 at no cost and be further extended to December 31, 2008 by payment of US\$1 million in Common Shares. If the Company wishes to retain the Kwango River Project following completion of the feasibility study, the Company must (i) pay to the Vendors an amount equal to 60% of the net present value of the Kwango River Project Valuation (as determined in terms of the feasibility study and subject to a minimum acquisition cost of US\$13 million and a maximum acquisition cost of US\$26 million), which payment shall be effected by the issuance of Common Shares and (ii) commit to incur an additional amount of up to US\$6 million in expenditures for development of the Kwango River Project within 16 months from the date of completion of the feasibility study. Durnpike has an agreement with Midamines SPRL ("Midamines"), the holder of the exploration permit on the Kwango River Project, to act as contractor for and behalf of Midamines to manage and carry out exploration and mining. Durnpike is entitled to an 80% share of the net revenue from the sale of any diamonds produced from the contract area.
- acquire 100% of the Galputs Minerale Project (through a purchase of Virgilia Investments Inc. ("Virgilia")) for ZAR9 million (US\$1.2 million), payable to the Vendors in Common Shares on the earlier of (i) the date of the JSE listing; and (ii) within 9 months from signature of the Agreement-in-Principle. In the event that the Company has not obtained title to Virgilia by December 31, 2006, it will pay the Vendors ZAR5.8 million (US\$0.8 million) in Common Shares of the Company and a further ZAR3.2 million (US\$0.43 million) in Common Shares at the time of the transfer of title to Virgilia's shares to Rockwell in due course.

All of the Common Shares issued to the Vendors pursuant to the acquisition, other than the Common Shares issued to extend the feasibility study deadline, will be held in escrow for at least 12 months from the date of issuance, provided that a limited portion of those escrowed Common Shares may be released to enable the Vendors to meet specified obligations and to extend the feasibility study on the Kwango River Project to December 31, 2008, if elected.

Closing of the Acquisition is expected to occur on or before December 31, 2006 (the "Closing Date"). On completion of the Acquisition, and subject to obtaining necessary regulatory approvals, the Company intends to obtain a secondary listing of its share capital on the Johannesburg Stock Exchange in South Africa. In addition, the Company shall cause three of the Vendors to be appointed to its Board of Directors, of which two, Dr. John Bristow and Mr. Jeffrey Brenner, were appointed in August 2006.

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

5. CREDIT FACILITY

On August 21, 2006, the Company reached an agreement with Quest Capital Corp. (“Quest”) for a \$6.0 million credit facility (the “Facility”). The Facility is payable out of the proceeds of any future debt or equity financing or disposition of any of the assets of the Company, other than in the ordinary course of business, and bears interest from March 1, 2007 at the rate of 18% per annum, calculated daily and compounded monthly, payable on the last business day of each month. The Facility, if not earlier converted, must be repaid on or before May 31, 2007. The Facility is secured by a first charge over all of the assets of the Company. In consideration for the Facility, Quest received 385,714 common shares of the Company. In addition, should the Facility remain outstanding on November 30, 2006, Quest will receive an additional number of common shares equal to 4.5% of the principal amount then outstanding divided by the average closing price of the common shares of the Company on the TSX Venture Exchange for the 10 trading days immediately preceding November 30, 2006. The facility may be repaid at any time, without penalty. Quest has the right to convert the facility to common shares if the Company completes an equity financing for \$5.0 million or greater, at the greater of the price at which the financing is conducted less a 3% discount, subject to a minimum conversion price of \$0.65 per share.

On September 1, 2006, subsequent to the end of the quarter, the Company borrowed \$6.0 million under the Facility to facilitate the funding of Durnpike’s obligations (note 4) in connection with the acquisition of 51% of the outstanding shares of Klipdam Diamond Mining Company Limited and HC Van Wyk Diamonds (Proprietary) Limited.

6. CONVERTIBLE PROMISSORY NOTES

In July 2006, the Company entered into agreements to complete a \$9.5 million private placement of subordinated secured convertible promissory notes (the “Notes”). The Notes must be repaid on or before March 31, 2007 and have similar terms and conditions to the credit facility in note 5, including conversion rights. The Notes are subordinated to the Facility, and are secured by a charge over all of the assets of the Company. As consideration for the Notes, the noteholders received 678,572 common shares of the Company on July 7, 2006 and 1,055,555 common shares of the Company on September 30, 2006, or equal to five percent of the outstanding balance owed on the Notes divided by the average closing price of the Company’s common shares on the Exchange for the five trading days immediately preceding such issue, less a 10% discount. In addition, should the Notes remain outstanding on March 31, 2007, noteholders will receive an additional number of common shares on the same terms.

Accounting standards in Canada for compound financial instruments require the Company to allocate the proceeds received from the Notes between (i) the estimated fair value of the option to convert the Notes into common shares and (ii) the estimated fair value of the future cash outflows related to the Notes. At issuance, the Company estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the convertible note, calculated using a risk-adjusted discount rate of 25%, from the face value of the principal of the convertible note. The residual carrying value of the convertible note is accreted to the face value of the convertible note over the life of the note by a charge to the consolidated statement of operations. The continuity of the convertible note is as follows:

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

Present value of convertible promissory notes at issuance	\$ 9,360,332
Accretion for the period	344,788
Common shares issued as consideration	(522,500)
End of period	9,182,620
Conversion right	139,668
Convertible note and conversion right	\$ 9,322,288

Summary of the convertible note terms	
Principal amount of convertible promissory notes	\$9,500,000
Conversion price ⁽¹⁾	\$ 0.65
Maximum number of common shares potentially issuable under unexercised conversion right	14,615,385

⁽¹⁾ Convertible at the greater of price at which the Company completes an equity financing of \$5.0 million or greater less a 3% discount, or \$0.65 per share.

7. SHARE CAPITAL

(a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares, without par value, and an unlimited number of preferred shares without par value, of which none has been issued.

(b) Issued and outstanding common shares

Common shares issued	Price	Number of shares	Amount
Balance, May 31, 2006		23,694,776	\$ 11,857,649
Options exercised	0.40	833	333
Consideration for convertible promissory notes (note 6)	0.77	678,572	522,500
Consideration for credit facility (note 5)	0.77	385,714	298,543
Contributed surplus allocated to common shares on options exercised		–	338
Balance, August 31, 2006		24,759,895	\$ 12,679,363

On September 30, 2006, the Company issued 1,055,555 common shares pursuant to the Company's outstanding convertible promissory notes (note 6).

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

(c) *Share purchase options*

The continuity of share purchase options for the period ended August 31, 2006 is:

Expiry date	Exercise price	May 31 2006	Granted	Exercised	Expired/ cancelled	August 31 2006
May 19, 2006	\$ 0.32	–	–	–	–	–
September 28, 2007	\$ 0.40	115,417	–	833	1,667	112,917
February 29, 2008	\$ 0.42	210,000	–	–	–	210,000
March 28, 2008	\$ 0.50	150,000	–	–	–	150,000
		475,417	–	833	1,667	472,917
Weighted average exercise price		\$ 0.32	\$ –	\$ 0.40	\$ 0.40	\$ 0.44
Weighted average fair value of options granted during the year						\$ Nil

As at August 31, 2006, 106,250 of the options outstanding with a weighted average exercise price of \$0.40 per share had vested with grantees.

Using a Black-Scholes option pricing model with the assumptions noted below, the fair values of stock options granted have been reflected in the statement of operations as follows:

	Three months ended August 31	
	2006	2005
Exploration and engineering	\$ 20,009	\$ –
Operations and administration	18,032	–
Total compensation cost expensed to operations, with the offset credited to contributed surplus	\$ 38,041	\$ –

The weighted-average assumptions used to estimate the fair value of options granted during the period are as follows:

	Three months ended August 31	
	2006	2005
Risk free interest rate	4%	3%
Expected life	1.7 years	1.5 years
Expected volatility	113%	162%
Expected dividends	nil	nil

(d) *Contributed surplus*

Balance, May 31, 2006	\$ 523,420
Changes during 2007	
Non-cash stock-based compensation (note 7(c))	38,041
Share purchase options exercised, credited to share capital	(337)
Balance, August 31, 2006	\$ 561,124

The components of contributed surplus are:

	August 31, 2006	May 31, 2006
Accumulated stock-based compensation	\$ 578,090	\$ 540,049
Share purchase options exercised, credited to share capital	(16,966)	(16,629)
Total contributed surplus	\$ 561,124	\$ 523,420

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

8. RELATED PARTY BALANCES AND TRANSACTIONS

Balances payable	As at August 31, 2006	As at May 31, 2006
Hunter Dickinson Inc. (a)	\$ 221,296	\$ 853,733
Plateau Resources (Proprietary) Limited	–	124,737
Euro-American Capital Corporation (b)	1,569	–
CEC Engineering (c)	10,446	–
Dr. John Bristow (d)	20,504	–
	\$ 253,815	\$ 978,470

Balances receivable		
Durnpike Investments (Pty) Limited (e)	\$ 7,780,778	\$ –

Transactions	Three months ended August 31, 2006	Three months ended August 31, 2005
Services rendered and expenses reimbursed		
Hunter Dickinson Inc. (a)	\$ 391,430	\$ 66,624
Euro-American Capital Corporation (b)	4,440	3,850
CEC Engineering (c)	45,333	–
Dr. John Bristow (d)	75,749	–

- (a) Hunter Dickinson Inc. ("HDI") is a private company with certain directors in common with the Company that provides geological, technical, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company on a full cost recovery basis pursuant to an agreement dated January 1, 2001.

Exploration advances to and from HDI have arisen in the normal course, due to in-progress and near-term planned exploration work, primarily on the Company's exploration properties and for other operating expenses. There are no specific terms of repayment.

- (b) Euro-American Capital Corporation is a private company controlled by a director that provides management services to the Company based on the fair market value of those services.
- (c) CEC Engineering Ltd. is a private company, owned by Mr. David Copeland, Chief Executive Officer and director of the Company, which provides engineering and project management services at market rates.
- (d) The Company paid and accrued \$75,749 to Dr. John Bristow for engineering and project management services at market rates.
- (e) Pursuant to the Company's Agreement-in-Principle to acquire all of the shares and loans in Durnpike Investments (Pty) Limited (note 4) from eight individuals, two of whom were appointed directors of the Company in August 2006.

ROCKWELL VENTURES INC.

Notes to the Consolidated Financial Statements

For the three months ended August 31, 2006

(Unaudited – Expressed in Canadian Dollars unless otherwise stated)

9. SUBSEQUENT EVENT

On October 18, 2006, the Company announced that it had entered into an agreement with agents for a "best efforts" private placement of \$21 million of units at \$0.50 per unit. Each unit will consist of one common share of the Company and one share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at the exercise price of \$0.60 during the first year from completion of the financing, or at an exercise price of \$0.80 during the second year or at an exercise price of \$1.00 during the third year. The third year term of the warrants is conditional upon the Company achieving Tier 1 status on the TSX Venture Exchange within the first two years.

ROCKWELL VENTURES INC.
PERIOD ENDED AUGUST 31, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

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ROCKWELL VENTURES INC.
PERIOD ENDED AUGUST 31, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Rockwell Ventures Inc. ("Rockwell", or the "Company") for the period ended August 31, 2006.

This MD&A is prepared as of October 15, 2006. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve 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, continued 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.

1.2 Overview

Rockwell Ventures Inc. ("Rockwell" or the "Company") is engaged in the business of acquiring and exploring natural resource properties.

In June 2006, Rockwell entered into an Agreement-in-Principle to acquire interests and/or rights in four alluvial diamond properties in Southern Africa:

- Holpan/Klipdam Property in South Africa
- Wouterspan Property in South Africa
- Galputs Minerale Project in South Africa
- Kwango River Project in the Democratic Republic of Congo

The Company arranged a \$6.0 million credit facility (of which \$6.0 million was drawn on September 1, 2006) and completed a \$9.5 million private placement of convertible promissory notes to initially fund the acquisition of the alluvial diamond properties. Subsequent to the end of the quarter in October 2006, Rockwell engaged a syndicate of agents for a "best efforts" private placement of \$21 million of units at \$0.50 per unit. The proceeds will be used to fund the acquisition, to discharge the convertible promissory notes, to carry out exploration and development, and for general working capital and corporate development purposes.

In conjunction with the acquisition, a new management team with extensive experience in alluvial diamond development and production has been assembled. Dr. John Bristow, Ph.D., has been appointed as President and Chief Operating Officer and Mr. David Copeland, P.Eng., as Chief Executive Officer of Rockwell. Mr. Hennie Van Wyk will assume the role of Operations Director, Mr. Jeffrey Brenner the position of Marketing and Sales Director, Mr. Jeremy Crozier, B.Sc., M.Sc., MBA, the role of New Projects Manager. Mr. Bristow and Mr. Brenner have also been appointed as Directors of the Company. Former President and CEO, Ronald Thiessen, will continue as a Director of the Company while Mr. Robert Dickinson and Mr. Gordon Fretwell have retired from the Board. Mr. Fretwell will continue as Secretary of the Company.

Rockwell also holds the Ricardo Property, a copper prospect in the Chuquicamata district of Chile. The Company is currently looking for new partners to advance exploration of the project.

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Alluvial Diamond Properties

Agreements

In June 2006, Rockwell entered into an Agreement-in-Principle to acquire interests and/or rights in the Holpan/Klipdam Property, the Wouterspan Property and the Galputs Minerale Project in South Africa, and the Kwango River Project in the Democratic Republic of Congo. Pursuant to the Agreement-in-Principle, Rockwell will acquire (the "Acquisition") all of the shares and shareholder loans in Durnpike Investments (Pty) Limited ("Durnpike"), a private South African company, from eight arm's length vendors (the "Vendors") for the consideration set forth below, payable in common shares of the Company ("Common Shares") related to the closing price of the Common Shares on the TSX Venture Exchange on the specified dates described below.

Durnpike holds or is in the process of acquiring an interest and/or rights in four alluvial diamond properties, all situated in Southern Africa.

Closing of the Acquisition is expected to occur on or before December 31, 2006 (the "Closing Date"). On completion of the Acquisition, and subject to obtaining necessary regulatory approvals, the Company intends to obtain a secondary listing of its share capital on the Johannesburg Stock Exchange in South Africa ("The JSE Inward Listing") (An inward listing is a South African term for a Company that is already listed on a stock exchange outside of the country and will not be seeking a listing in South Africa). In addition, the Company shall cause three of the Vendors to be appointed to its Board of Directors, of whom two Vendors, Dr. Bristow and Mr. Brenner, were appointed in August 2006.

Pursuant to the proposed Acquisition, Rockwell will:

- (a) acquire from the Vendors all of their shares and loans in Durnpike for ZAR34 million (US\$4.6 million), payable in Common Shares on the earlier of (i) the date of The JSE Inward Listing; and (ii) within 9 months from signature of the Agreement-in-Principle, and thereby acquire Durnpike's interests in the Holpan/Klipdam Operation, the Wouterspan Operation, the Galputs Project and the Kwango River Project; and
- (b) spend US\$7 million on a feasibility study on the Kwango River Project by August 31, 2007. This deadline may be extended to February 29, 2008 at no cost and be further extended to December 31, 2008 by payment of US\$1 million in Common Shares. If the Company wishes to retain the Kwango River Project following completion of the feasibility study, Rockwell must (i) pay to the Vendors an amount equal to 60% of the net present value of the Kwango River Project Valuation (as determined in terms of the feasibility study and subject to a minimum acquisition cost of US\$13 million and a maximum acquisition cost of US\$26 million), which payment shall be effected in Common Shares and (ii) commit to incur an additional amount of up to US\$6 million in expenditures for development of the Kwango River Project within 16 months from the date of completion of the feasibility study; and
- (c) acquire Galputs Minerale (through a purchase of Virgilia Investments Inc.) for ZAR9 million (US\$1.2 million), payable to the Vendors in Common Shares on the earlier of (i) the date of The JSE Inward Listing and (ii) within 9 months from signature of the Agreement-in-Principle. In the event that Rockwell has not obtained title to Virgilia by the Closing Date, it will pay the Vendors ZAR5.8 million (US\$0.8 million) on the Closing Date in Common Shares and a further ZAR3.2 million (US\$0.43 million) in Common Shares at the time of the transfer of title to Virgilia shares to Rockwell in due course.

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All Common Shares issued to the Vendors pursuant to the Acquisition will be held in escrow for at least 12 months from the date of issuance, provided that a limited portion of those escrowed Common Shares may be released to enable the Vendors to meet specified government regulatory obligations, and to extend the feasibility study on the Kwango River Project to December 31, 2008, if elected.

The Agreement-in-Principle is subject to provisions relating to due diligence, confidentiality, costs, public disclosure and the execution of a definitive agreement. The Acquisition is subject to certain conditions precedent, including completion of Durnpike's acquisition of certain of the diamond properties and regulatory approvals. If agreements or conditions relating to the acquisition of one of the interests and/or rights in a mineral property are not finalized prior to the Closing Date, Rockwell may elect to proceed with the Acquisition by excluding such affected property.

Financings

\$6.0 million credit facility

On August 21, the Company reached an agreement with Quest Capital Corp. ("Quest") for a \$6.0 million credit facility (the "Facility"). The Facility is payable out of the proceeds of any future debt or equity financing or disposition of any of the assets of the Company, other than in the ordinary course of business, and bears interest from March 1, 2007 at the rate of 18% per annum, calculated daily and compounded monthly, payable on the last business day of each month. The Facility, if not earlier converted, must be repaid on or before May 31, 2007. The Facility is secured by a first charge over all of the assets of the Company. In consideration for the Facility, Quest received 385,714 common shares of the Company. In addition, should the Facility remain outstanding on November 30, 2006, Quest will receive an additional number of common shares equal to 4.5% of the principal amount then outstanding divided by the average closing price of the common shares of the Company on the TSX Venture Exchange for the 10 trading days immediately preceding November 30, 2006. The facility may be repaid at any time, without penalty. Quest has the right to convert the facility to common shares if the Company completes an equity financing for \$5.0 million or greater, at the greater of the price at which the financing is conducted less a 3% discount, subject to a minimum conversion price of \$0.65 per share.

On September 1, 2006, subsequent to the end of the quarter, the Company borrowed \$6.0 million under the Facility to facilitate the funding of Durnpike's obligations in connection with the acquisition of 51% of the outstanding shares of Klipdam Diamond Mining Company Limited and HC Van Wyk Diamonds (Proprietary) Limited.

\$9.5 million private placement of convertible promissory notes

In July 2006, the Company entered into agreements to complete a \$9.5 million private placement of subordinated secured convertible promissory notes (the "Notes"). The Notes must be repaid on or before March 31, 2007 and have similar terms and conditions to the \$6.0 million credit facility, including conversion rights. The Notes are subordinated to the Facility, and are secured by a charge over all of the assets of the Company. As consideration for the Notes, the noteholders received 678,571 common shares of the Company on closing and 1,055,555 common shares on September 30, 2006, or equal to five percent of the outstanding balance owed on the Notes divided by the average closing price of the Company's common shares on the Exchange for the five trading days immediately preceding such issue, less a 10% discount. In addition, should the Notes remain outstanding on March 31, 2007, noteholders will receive an additional number of common shares on the same terms.

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The proceeds of the Facility and Notes will be used to facilitate the acquisition of Durnpike and the funding of Durnpike's obligations in connection with the acquisition of 51% of the outstanding shares of Klipdam Diamond Mining Company Limited and HC Van Wyk Diamonds (Proprietary) Limited.

\$21 million private placement financing

In October 2006, Rockwell entered into an agreement with a syndicate of agents (the "Agents") led by Westwind Partners Inc. and including Canaccord Adams, for a "best efforts" private placement of \$21 million of units at \$0.50 per unit (the "Offering").

Each unit will consist of one common share ("Shares") in the capital of the Company and one Share purchase warrant. Each warrant will entitle the holder to buy one Share in the capital of the Company at the exercise price of \$0.60 during the first year from completion of the financing, or at an exercise price of \$0.80 during the second year or at an exercise price of \$1.00 during the third year. The third year term of the warrants is conditional upon Rockwell achieving Tier 1 status on the TSX Venture Exchange within the first two years.

Rockwell will use the net proceeds from the Offering to acquire the interests and/or rights as described in the June 30, 2006 press release issued by the Company ("Acquisition Transaction") in four alluvial diamond properties in Southern Africa and the Democratic Republic of the Congo, to discharge interim indebtedness amounting to \$9.5 million, to carry out exploration and development, and for general working capital and corporate development purposes.

Property Details

Holpan/Klipdam Property and Wouterspan Property, Northern Cap Province, South Africa

Ownership Summary

The Holpan/Klipdam property and the Wouterspan property, South Africa ("SA"), are indirectly owned by the H.C. Van Wyk Diamante Trust ("Van Wyk Trust"), a business trust registered in SA. Van Wyk Trust holds 99% of HC Van Wyk Diamonds (Pty) Ltd ("HCVW"), a private SA company (the remaining 1% owned by the Van Wyk Trust nominees), and 99% of Klipdam Mining Company Limited ("Klipdam"), an unlisted SA public company (the remaining 1% owned by the Van Wyk Trust nominees). HCVW and Klipdam, are collectively referred to as The Van Wyk Diamond Group of companies ("VWDG"). VWDG is an independent diamond producer that conducts diamond exploration and mining on the Holpan/Klipdam property, which VWDG owns, and also conducts contract mining on the Wouterspan Property, over which HCVW holds options to acquire title.

On July 7, 2006, Durnpike completed the acquisition of an initial 49% of the issued and outstanding shares of HCVW and 51% of the issued and outstanding shares of Klipdam ("The Acquisition Interest"). To acquire the Acquisition Interest, Durnpike paid the Van Wyk Trust ZAR50 million (US\$6.8 million) on July 7, 2006 and will pay ZAR30 million (US\$ 4.1 million) on July 7, 2007. Durnpike has an option to increase its shareholding in HCVW to a 51% control interest, upon obtaining necessary South African regulatory and corporate approvals, by subscribing for additional shares in HCVW in an amount of ZAR1 million (US\$0.14 million) and obtaining the requisite corporate approvals for the introduction of a ZAR24 million (US\$3.3 million) working capital loan into VWDG.

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Rockwell also entered into an Exchange agreement with the Van Wyk Trust in terms by which it was granted a call option, and granted a corresponding put option to the Van Wyk Trust, to acquire an additional 23% of VWDG for ZAR60 million (US\$8.2 million), payable in Common Shares. The Exchange shall become effective upon Rockwell having completed The JSE Inward Listing. The Company is currently in discussions with a Black Economic Empowerment company to acquire the remaining 26% interest in VWDG.

Technical Summary

The Holpan/Klipdam Property

The Holpan/Klipdam Property is located 45 km from Kimberley, South Africa. It consists of the adjacent Holpan 161 and Klipdam 157 farms, covering an area of 3,836 hectares.

The property hosts an extensive alluvial diamond deposit at which operations are underway. An estimate of the inferred resources as of March 2006 are 12,000,000 m³ of diamondiferous gravel with a grade of 1.16 carats/100 m³ and a mean value of US\$848 per carat (as assessed from production records). RH De Decker, Pr. Sci. Nat., is the Qualified Person responsible for the resource estimate.

Alluvial operations are currently underway using a large fleet of new equipment. Approximately 159,000 cubic metres (m³) of gravel is moved per month, the majority of which is treated using a highly efficient, closed system Bateman Dense Media Separation Plant, commissioned in 2005, to extract diamonds.

The Wouterspan Property

The Wouterspan Property is located near Douglas, South Africa. It comprises portions, totalling 969.4 hectares, of the Lanyon Vale 376 farm.

The property hosts an extensive alluvial deposit with a large average stone size within the Rooikoppie and Primary gravel units. A drilling program in 2005 identified 4,481,000 m³ of Rooikoppie Gravel and 43,259,000 m³ of Primary Gravel. In trial mining operations, 2,868 carats of diamonds were recovered from 514,000 m³ of Primary and 24,000 m³ of Rooikoppie gravel.

A large fleet of new equipment was deployed at Wouterspan earlier this year. Operations are taking place on two portions of the property called the Farhom and Okapi farms. Diamonds of exceptional value have been recovered, including the discovery of a 157 carat stone that sold for approximately US\$5.7 million at an official tender.

Kwango River Project, Democratic Republic of Congo

The Kwango River Project comprises approximately 109 square km within Exploitation Permit Number 331 ("PPE331") held by Midamines SPRL ("Midamines"), a Democratic Republic of Congo company. Durnpike has an agreement with Midamines to manage and carry out exploration and mining on a portion of PPE331, as contractor for and on behalf of Midamines, and is entitled to an 80% share of the net revenue from the sale of any diamonds produced from the contract area. PPE 331, issued in December 2003, is valid until January 2017 (and is renewable for a second term) and allows the holder to conduct exploration, develop and exploit the deposit as well as market the diamonds produced from the deposit according to local government requirements and the Kimberley process.

The Project encompasses over 75 km of river frontage and also extends across elevated, palaeo-river terraces. Alluvial diamond deposits occur as gravel assemblages within the modern Kwango River,

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underlying its banks and in the adjacent terraces. The river deposits are currently being mined using small dredges, and the river bank and terraces are being mined by small scale excavations. The Government Valuator in Kinshasa has valued parcels of diamonds from recent small scale mining on the property in the range of US\$85 to US\$110 per carat. The recoveries from both sources are 0.15 to 0.2 carats per 30 kg samples.

Galputs Minerale Project, Northern Cape Province, South Africa

The Galputs Minerale Project consists of the mining rights to the Galputs 104 farm on which diamondiferous gravels have been identified. The Project is indirectly owned by Virgilia Investments Inc (“Virgilia”), a British Virgin Islands corporation. Virgilia’s wholly-owned subsidiary, Galputs Minerale (Pty) Limited, a private SA company, holds mining rights to the Galputs Project. Durnpike has been conducting contract bulk sampling in preparation for contract mining operations on the Project.

Other Properties

Ricardo Property, Chile

The Company holds a 100% interest in the Ricardo Property, a copper prospect located within the Calama Mining District, Chile. The property is situated on the West Fissure Fault, a structural trend that hosts a number of porphyry copper deposits, including Corporación Nacional del Cobre de Chile’s (“Codelco”, Chile’s national mining company) Chuquicamata Mine. There are targets on the Ricardo property that have yet to be tested and the Company is seeking partners to continue exploration.

Market Trends

Copper prices continued to increase in 2005, averaging US\$1.59/lb over the year. Copper prices remain strong, averaging US\$2.99/lb to mid October 2006.

The rough diamond market was strong in 2005, with some softening at year end after prices peaked in the third quarter. Prices for polished stones increased, including large stones (>2 carats with better colour and quality) and smaller diamond segments. In 2006, diamond prices have shown general increases of 4-5% in the first three quarters, but softened in the latter part of the year as a consequence of increased debt levels in manufacturing centers and high energy prices, depressing discretionary spending in key markets such as the USA. Prices of larger solid diamonds continue to show solid gains on a year-over-year basis. According to a recent report, round polished diamonds—4 carats and 5 carats in size, and representing about 1% of the market by value—continue to post solid price gains, year-over-year. The continued price appreciation of large stones is significant in respect to the production mix from the projects being acquired in Kimberley area of South Africa, which comprises a significant component of large (+2 carats, including 10 carat) stones.

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1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars except common shares outstanding.

	As at May 31		
Balance Sheets	2006	2005	2004
Current assets	\$ 256,456	\$ 580,530	\$ 1,895,141
Mineral properties	1	46,857	46,857
Other assets	32,190	32,190	32,190
Total assets	288,647	659,577	1,974,188
Current liabilities	1,146,070	29,976	33,406
Shareholders' equity (deficiency)	(857,423)	629,601	1,940,782
Total liabilities and shareholders' equity	\$ 288,647	\$ 659,577	\$ 1,974,188

	Years ended May 31		
Operations	2006	2005	2004
Exploration	\$ 307,390	\$ 920,902	\$ 525,619
Foreign exchange loss (gain)	(46,881)	3,105	(34,856)
Legal, accounting and audit	175,782	80,078	48,402
Office and administration	489,015	285,618	325,178
Property Investigations	399,006	-	-
Shareholder communications	32,130	19,896	16,987
Travel and conference	132,645	30,293	49,325
Transfer agent filings	20,843	22,795	33,139
Subtotal	1,509,930	1,362,687	963,794
Gain on sale of marketable securities	(56,585)	(6,138)	(9,645)
Interest income	(2,172)	(17,854)	(28,151)
Write-down of marketable securities	19,128	135,486	25,000
Write-down of mineral property interests	46,856	-	-
Subtotal	1,517,157	1,474,181	950,998
Stock-based compensation	83,516	11,513	445,020
Loss for the period	\$ 1,600,673	\$ 1,485,694	\$ 1,396,018
Basic and diluted loss per common share	\$ (0.07)	\$ (0.06)	\$ (0.08)
Weighted average number of common shares outstanding	23,640,123	23,376,122	17,744,545

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1.4 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per-share amounts. Minor differences are due to rounding.

	Aug 31 2006	May 31 2006	Feb 28 2006	Nov 30 2005	Aug 31 2005	May 31 2005	Feb 28 2005	Nov 30 2004
Current assets	\$ 8,397	\$ 257	\$ 197	\$ 205	\$ 429	\$ 581	\$ 769	\$ 1,505
Mineral properties	–	–	47	47	47	47	47	47
Other assets	32	32	32	32	32	32	32	32
Total assets	8,429	289	276	284	508	660	848	1,584
Current liabilities	9,599	1,146	446	128	33	30	–	17
Shareholders' equity (deficiency)	(1,169)	(857)	(170)	156	475	630	848	1,567
Total liabilities and shareholders' equity	8,429	289	276	284	508	660	848	1,584
Working capital (deficit)	(1,202)	(890)	(250)	77	396	551	769	1,488
Expenses								
Foreign exchange	6	3	(54)	4	1	–	(42)	30
Financing fees	16	–	–	–	–	–	–	–
Legal, accounting and audit	215	118	32	19	6	37	17	24
Office and administration	297	227	134	62	66	59	100	65
Property investigation	–	139	87	147	26	–	–	–
Shareholder communications	40	11	9	11	1	1	14	4
Travel and conference	136	30	49	54	1	27	–	–
Transfer agent filings	45	3	12	5	1	1	17	4
Subtotal	755	531	269	302	102	125	106	127
Exploration	175	120	134	16	37	116	675	46
Subtotal	930	651	403	318	139	241	781	173
Gain on sale of marketable securities	–	–	(57)	–	–	–	(6)	–
Interest income	(2)	(1)	–	(1)	(1)	(2)	(3)	(7)
Accretion expense	345	–	–	–	–	–	–	–
Write-down of marketable securities	–	–	–	2	17	20	–	4
Write-down of mineral property interests	–	47	–	–	–	–	–	–
Subtotal	1,273	697	346	319	155	259	772	170
Stock-based compensation	38	63	15	6	–	3	1	3
Loss for the period	\$1,311	\$ 760	\$ 361	\$ 325	\$ 155	\$ 262	\$ 773	\$ 173
Basic and diluted loss per share	\$ (0.05)	\$ (0.03)	\$ (0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.01)
Weighted average number of common shares outstanding (thousands)	24,191	23,675	23,658	23,614	23,614	23,555	23,437	23,308

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1.5 Results of Operations

The Company had a net loss of \$1,310,728 for the three month period ended August 31, 2006 compared to a net loss of \$154,774 for the comparable period in the prior year. The increase in net loss during the quarter is primarily due to expenses related to the acquisition activities and accretion expenses on the convertible promissory notes.

Exploration expenses (excluding stock-based compensation) increased to \$174,741 for the first quarter of fiscal 2007 compared to \$36,737 for the first quarter of fiscal 2006. This increase is due to engineering activities of \$85,160 and property assessment fees of \$31,103 performed on the Holpan/Klipdam property and Kwango River Project.

Foreign exchange loss increased to \$5,751 for the first quarter of fiscal 2007 compared to a foreign exchange loss of \$502 for the same period in the previous year. Administrative costs for first quarter of fiscal 2007 increased to \$296,592 in comparison to \$66,047 incurred in for the first quarter of fiscal 2006, primarily due to increased consulting and salary expenses related to the evaluation of properties for acquisition and exploration.

Travel and conference expenses increased to \$135,763 for the first quarter of fiscal 2007 in comparison to \$777 incurred for the same period in the previous year, primarily due to the Company's acquisition activities.

Legal, accounting and audit expenses for first quarter of fiscal 2007 increased to \$215,358 in comparison to the \$6,326 incurred in first quarter of fiscal 2006, primarily due to increased legal services rendered for the Company's acquisition activities.

Stock-based compensation increased to \$38,041 in the first quarter of fiscal 2007 from nil in the first quarter of fiscal 2006 due to an increase in the number of options granted during fiscal 2006.

Accretion expenses increased to \$344,788 for the first quarter of fiscal 2007, compared to nil for the same period in the previous year due to the issuance of the convertible promissory notes during the quarter.

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1.6 Liquidity

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company has issued common share capital in each of the past few years, pursuant to private placement financings and the exercise of warrants and options. The Company's access to exploration financing, when the financing is not transaction specific, is always uncertain. There can be no assurance of continued access to significant equity funding.

At August 31, 2006, the Company had working capital deficit of \$1,201,256 as compared to a deficit of \$889,614 at May 31, 2006. The Company will have to raise additional funds to continue its operations or will have to curtail its operations.

As described in 1.2 *Overview*, the Company has arranged a \$6.0 million credit facility and completed a \$9.5 million private placement of convertible promissory notes to fund the acquisition of the alluvial diamond properties during the quarter. The Company drew on the \$6.0 million credit facility on September 1, 2006.

The proceeds of the credit facility and convertible promissory notes will be used to facilitate the acquisition of Durnpike Investments (Proprietary) Limited ("Durnpike") and the funding of Durnpike's obligations in connection with the acquisition of 51% of the outstanding shares of Klipdam Diamond Mining Company Limited and HC Van Wyk Diamonds (Proprietary) Limited.

In October 2006, the Company entered into an agreement with a syndicate of agents for a "best efforts" private placement of \$21 million of units at \$0.50 per unit (the "Offering"). Each unit will consist of one common share ("Shares") of the Company and one Share purchase warrant. Each warrant will entitle the holder to buy one Share in the capital of the Company at the exercise price of \$0.60 during the first year from completion of the financing, or at an exercise price of \$0.80 during the second year or at an exercise price of \$1.00 during the third year. The third year term of the warrants is conditional upon Rockwell achieving Tier 1 status on the TSX Venture Exchange within the first two years.

The Company has no other long term debt, capital lease obligations, operating leases or any other long term obligations.

The Company has no "Purchase Obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

1.7 Capital Resources

The Company had no commitments for capital expenditures as of August 31, 2006.

The Company has no lines of credit or other sources of financing which have been arranged but as yet unused.

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1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

Hunter Dickinson Inc. (“HDI”) is a private company owned by nine public companies, one of which is Rockwell. HDI carries out investor relations, geological, corporate development, administrative and other management services for, and incurs third party costs on behalf of the Company, on a full cost-recovery basis. Costs for services rendered by HDI to the Company increased to \$391,430 for the first quarter of fiscal 2007 in comparison to \$66,624 incurred for the same period in the previous year, largely due to an increase in property investigation activities provided by HDI in assessing new prospects for acquisition and exploration.

During the first quarter of fiscal year 2007, the Company paid \$4,440 in comparison to \$3,850 paid in the first quarter of fiscal 2006 to Euro-American Capital Corporation, a private company controlled by a director of the Company.

CEC Engineering Ltd. is a private company, owned by Mr. David Copeland, Chief Executive Officer and director of the Company, which provides engineering and project management services at market rates. The Company paid \$45,333 for the services in the first quarter of fiscal 2007.

The Company paid and accrued \$75,749 to Dr. John Bristow during the first quarter of the fiscal year 2007 for engineering and project management services at market rates.

In conjunction with the Agreement-in-Principle to acquire Durnpike Investments (Pty) Limited as described in 1.2 *Overview*, the Company shall cause three of the Vendors to be appointed to its Board of Directors, of whom two Vendors, Dr. Bristow and Mr. Brenner, were appointed in August 2006.

1.10 Fourth Quarter

Not applicable.

1.11 Proposed Transactions

As described in 1.2 *Overview*, the Company entered into an Agreement-in-Principle to acquire interests and/or rights in the Holpan/Klipdam Property, the Wouterspan Property and Galputs Minerale Project in South Africa, and the Kwango River Project in the Democratic Republic of Congo. Pursuant to the Agreement-in-Principle, Rockwell will acquire (the “Acquisition”) all of the shares and loans in Durnpike Investments (Pty) Limited (“Durnpike”), a private South African company, from eight arm’s length individuals (the “Vendors”).

Durnpike holds or is in the process of acquiring an interest and/or rights in four alluvial diamond properties, all situated in Southern Africa.

Closing of the Acquisition is expected to occur on or before December 31, 2006 (the “Closing Date”). The closing of the acquisition is subject to certain conditions precedent, including completion of Durnpike’s acquisition of certain of the diamond properties. On completion of the Acquisition, and subject to obtaining necessary regulatory approvals and execution of a definitive agreement, the Company intends to obtain a secondary listing of its share capital on the Johannesburg Stock Exchange in South Africa (“The JSE Inward Listing”).

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1.12 Critical Accounting Estimates

Not applicable. The Company is a venture issuer.

1.13 Changes in Accounting Policies including Initial Adoption

None.

1.14 Financial Instruments and Other Instruments

None.

1.15 Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.

1.15.1 Additional Disclosure for Venture Issuers Without Significant Revenue

(a) capitalized or expensed exploration and development costs;

The required disclosure is presented in the consolidated schedules of exploration expenses of the accompanying financial statements.

(b) expensed research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administration expenses;

The required disclosure is presented in the consolidated statements of operations.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None.

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1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at October 15, 2006, which is the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				25,815,450
Share purchase options	September 28, 2007	\$ 0.40	112,917	
	February 29, 2008	\$ 0.42	210,000	
	March 28, 2008	\$ 0.50	<u>150,000</u>	472,917

1.15.3 Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. The Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures for the period ended August 31, 2006 and have found those disclosure controls and procedures to be adequate for the above purposes.

There have been no significant changes in the Company's disclosure controls or in other factors that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.