

# ROCKWELL DIAMONDS INC.

## MANAGEMENT INFORMATION CIRCULAR

For Annual General and Special Meeting

Date: September 9, 2011

Place: 1500-1055 West Georgia Street,  
Vancouver, B.C., Canada

Dated this 10<sup>th</sup> day of August, 2011  
containing information as at August 4, 2011

<b>GENERAL INFORMATION</b> .....	1	RECRUITMENT OF NEW DIRECTORS AND ASSESSMENT OF BOARD PERFORMANCE.....	13
<b>PROXY INFORMATION</b> .....	1	<b>STATEMENT OF EXECUTIVE COMPENSATION</b> .....	14
SOLICITATION OF PROXIES .....	1	<b>SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS</b> ..	23
PERSONS OR COMPANIES MAKING SOLICITATION .	1	<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS</b> .....	23
APPOINTMENT AND REVOCATION OF PROXIES .....	2	<b>INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS</b> .....	23
REGISTERED SHAREHOLDERS .....	2	<b>MANAGEMENT CONTRACTS</b> .....	25
BENEFICIAL SHAREHOLDERS .....	2	<b>PARTICULARS OF MATTERS TO BE ACTED UPON</b> .....	25
NOTICE TO SHAREHOLDERS IN THE UNITED STATES .	3	A. ADOPTION OF NEW SHARE OPTION PLAN .....	25
NOTICE TO SHAREHOLDERS IN SOUTH AFRICA .....	4	B. REFINANCING AND POTENTIAL CHANGE OF CONTROL .....	28
VOTING AND EXERCISES OF DISCRETION BY PROXIES .....	4	<b>ADDITIONAL INFORMATION</b> .....	39
<b>VOTING SHARES AND PRINCIPAL HOLDERS THEREOF</b> .....	5	<b>OTHER MATTERS</b> .....	40
<b>ANNUAL MEETING BUSINESS</b> .....	5		
APPOINTMENT OF AUDITOR .....	5		
ELECTION OF DIRECTORS.....	6		
MAJORITY VOTES POLICY .....	6		
BIOGRAPHICAL INFORMATION ABOUT BOARD NOMINEES .....	7		
<b>CORPORATE GOVERNANCE</b> .....	11		
MANDATE OF THE BOARD .....	11		
COMPOSITION OF THE BOARD .....	11		
COMMITTEES OF THE BOARD .....	12		
BOARD DECISIONS .....	13		

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## INFORMATION CIRCULAR

*Unless otherwise indicated, this Information Circular (the “Circular”) contains information as at August 4, 2011.*

## GENERAL INFORMATION

This Circular is being furnished in connection with the solicitation of proxies by management of Rockwell Diamonds Inc. (the “Company” or “Rockwell”) for use at the annual general and special meeting of shareholders (the “Meeting”) to be held on September 9, 2011 at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof.

“Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

Unless otherwise stated, all dollar amounts in this Circular are expressed in Canadian dollars.

No person is authorized to give any information or to make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or proxy solicitation.

## PROXY INFORMATION

### Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of the Company, for use at the Meeting, to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof.

### Persons or Companies Making Solicitation

The enclosed Instrument of Proxy (“Instrument of Proxy”) is solicited by management. Solicitations will be made by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders’ nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in obtaining authorization from their principals to execute the Instrument of Proxy. Solicitation may be made by specifically engaged employees or

soliciting agents. The cost of solicitation will be borne by the Company. None of the directors of the Company have advised that they intend to oppose any action intended to be taken by management as set forth in this Circular.

### **Appointment and Revocation of Proxies**

The persons named in the accompanying Instrument of Proxy are directors and or officers of the Company. **A shareholder has the right to appoint a person, other than the persons named in the enclosed Instrument of Proxy, to attend and act for him on his behalf at the Meeting. To exercise this right, a shareholder must strike out the names of the persons named in the Instrument of Proxy and insert the name of his nominee in the blank space provided, or complete another Instrument of Proxy. To be effective, the completed Instrument of Proxy must be deposited with the Registrar and Transfer Agent, Computershare Investor Services Inc., as set out below.**

### ***Registered Shareholders***

Registered shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders electing to submit a proxy may do so by:

- (a) completing, dating and signing the enclosed Instrument of Proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc., by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 2<sup>nd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to a toll free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed Instrument of Proxy for the toll free number, the holder's account number and the proxy access number; or
- (c) using the internet through the website of the Company's transfer agent at [www.computershare.com/proxy](http://www.computershare.com/proxy). Registered shareholders must follow the instructions that appear on the screen and refer to the enclosed Instrument of Proxy for the holder's account number and the proxy access number;

in all cases ensuring that the proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.

### ***Beneficial Shareholders***

**The following information is of significant importance to shareholders who do not hold Common Shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of intermediaries. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders - those who object to their name being made known to the issuers of securities which they own (called "OBOs" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "NOBOs" for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of National Instrument 54-101 "Communication with Beneficial Owners of Securities of a Reporting Issuer" that permit it to deliver proxy-related materials directly to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("VIF") from our transfer agent, Computershare Trust Company of Canada ("Computershare"). The VIF is to be completed and returned to Computershare as set out in the instructions provided on the VIF. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

These security holder materials are being sent to both registered and non-registered owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of securities, were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in the request for voting instructions that was sent to you.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting and that person may be you. To exercise this right, insert the name of the desired representative (which may be you) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted or to have an alternate representative duly appointed to attend the Meeting and vote your Common Shares at the Meeting.**

#### ***Notice to Shareholders in the United States***

The solicitation of proxies involves securities of an issuer located in Canada and are being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act* of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (British Columbia), as amended, (the "BCA"), certain of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal

securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

### ***Notice to Shareholders in South Africa***

Shareholders on the South African Register must only complete the SA proxy form.

Please take careful note of the following provisions regarding the action required by a Rockwell shareholder registered on the Rockwell South African Register:

1. If you have disposed of your Common Shares in Rockwell, please forward this Circular to the purchaser of such shares or the CSDP, broker or agent through whom you disposed of such shares.

The general meeting convened in terms of this circular will be held on Friday, September 9<sup>th</sup>, 2011 at 2:00 p.m. Vancouver, British Columbia, Canada time at the Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada.

2. The General meeting

- Certificated Shareholders and “own name” dematerialised Shareholders.

You are entitled to attend, or be represented by proxy, at the general meeting.

If you are the registered holder of certificated Rockwell Common Shares or you hold dematerialised Rockwell shares in your own name and if you are unable to attend the Meeting of Rockwell shareholders convened in terms of this Circular and wish to be represented at the Meeting, you must complete and return the attached form of proxy in accordance with the instructions therein so as to be received by the South African transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by no later than 2:00 p.m. (local time) on Wednesday, September 7, 2011.

- Dematerialised Shareholders other than with “own name” registration

If you do not hold your dematerialised Rockwell shares in your own name, you must provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker. Alternatively, if you wish to attend the general meeting in person, you must request your CSDP or broker to provide you with a letter of representation to authorise you to attend and vote your shares in terms of the custody agreement with your CSDP or broker.

### **Voting and Exercises of Discretion by Proxies**

The Instrument of Proxy affords the Shareholder an opportunity to specify that the Common Shares registered in their name shall be voted or withheld from voting in respect of the election of directors and the appointment of auditors. The Instrument of Proxy also affords the Shareholder the opportunity to specify that the Common Shares registered in their name shall be voted in favour of or against any resolutions proposed for approval at the Meeting in accordance with such direction.

On any ballot that may be called for, the Common Shares represented by proxies in favour of management nominees will be voted or withheld from voting in respect of the election of directors and the appointment of auditors and voted in favour of or against the resolution authorizing the directors to fix the remuneration of the auditors, in each case in accordance with the specifications made by Shareholders in the manner referred to above.

**In the absence of any direction in the Instrument of Proxy, it is intended if management’s proxy holders are selected, that such shares will be voted in favour of the motions proposed to be made at the Meeting as stated under the headings in this Circular.** The Instrument of Proxy enclosed, when properly signed, confers

discretionary authority with respect to amendments or variations to any matters, which may properly be brought before the Meeting. At the time of printing this Circular, management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. However, if any other matters, which are not now known to management, should properly come before the Meeting, the proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominee.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Common Shares are listed for trading in Canada on the Toronto Stock Exchange (the “TSX”) under the symbol RDI and in the Republic of South Africa on the Johannesburg Stock Exchange (the “JSE”) under the symbol RDI. The Common Shares are also quoted in the United States on the OTCBB under the symbol RDIAF.

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares.

Effective July 11, 2011 the Company completed a consolidation of its outstanding Common Shares on the basis of 15 pre-consolidated common shares for 1 post consolidated common share. As of August 4, 2011 there were 34,992,571 Common Shares issued and outstanding, each Common Share carrying the right to one vote. At a general meeting of the Company, on a show of hands, every shareholder present in person shall have one vote and, on a poll, every shareholder shall have one vote for each Common Share of which he is the holder. As at the date hereof there are no preferred shares issued or outstanding.

The board of directors (the “Board”) of the Company has fixed July 11, 2011 as the record date (the “Record Date”) for determination of persons entitled to receive notice of the Meeting. Only shareholders of record on the close of business on the Record Date who either personally attend the Meeting or who complete and deliver a proxy in the manner and subject to the provisions set out under the heading Appointment and Revocation of Proxies above will be entitled to have his or her Common Shares voted at the Meeting or any adjournment thereof.

To the knowledge of the directors and executive officers of the Company, the only person or corporation that beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common of the Company as at July 11, 2011 is:

Shareholder Name	Number of Common Shares Held	Percentage of Issued Common Shares
Daboll Consultants Limited	3,533,333	10.09%
Godia Capital	3,958,333	11.31%

Note:

- (1) The above information was supplied to the Company by the shareholders and from the insider reports available at [www.sedi.ca](http://www.sedi.ca).

The Company’s Annual Information Form (“AIF”) filed on [www.sedar.com](http://www.sedar.com) on May 30, 2011 with the securities commissions or similar regulatory authority in British Columbia, Alberta and Ontario is specifically incorporated by reference into, and forms an integral part of, this Information Circular. A copy of the AIF may be accessed at [www.sedar.com](http://www.sedar.com) or upon request by a shareholder without charge from the Company’s Corporate Communications department at 15<sup>th</sup> Floor, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4H8, telephone number: 604-684-6365 or fax number 604-681-2741.

### ANNUAL MEETING BUSINESS

#### Appointment of Auditor

KPMG Inc., Chartered Accountants, KPMG Crescent, 85 Empire Road, Parktown, 2193, Private Bag 9, Parkview, 2122, South Africa, will be nominated at the Meeting for appointment as auditor of the Company.

## Election of Directors

The term of office of each of the current directors of the Company expires at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees. Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until his successor is elected or appointed, unless his office is vacated earlier in accordance with the Articles of the Company, or with the provisions of the BCA.

The size of the Board was determined at seven (7) for the last annual general meeting. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director's office is vacated earlier in accordance with the provisions of the BCA, each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

## Majority Votes Policy

The Board has adopted a policy stipulating that if the votes in favour of the election of an individual director nominee at a meeting of shareholders represent less than a majority of the Common Shares voted and withheld, the nominee will submit his or her resignation promptly after the Meeting for the consideration of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will make a recommendation to the Board after reviewing the matter, and the Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any Corporate Governance and Nominating Committee deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

The disclosure in the following table sets out the names of management's seven nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, the period of time during which each has been a director of the Company and the number of Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at August 4, 2011. The section Biographical Information about Board Nominees, following the table, includes each nominee's principal occupation, business or employment (for the five preceding years for new director nominees).

<b>Name, Position and Country of Residence</b>	<b>Period as a Director of the Company</b>	<b>Common Shares Beneficially Owned or Controlled<sup>(1)</sup></b>
Dr. Mark Bristow Director Mauritius	Since March 2007	481,816 <sup>(5)</sup> + 13,407 <sup>(11)</sup>
James Campbell President and Chief Executive Officer Johannesburg, South Africa	Since June 2011	8,032
David J. Copeland Chairman and Director British Columbia, Canada	Since September 2006	96,919 <sup>(6)</sup>
Gary Wu Director Beijing, People's Republic of China	Since August, 2010	Nil <sup>(7)</sup>
Dr. Willem Jacobs <sup>(2)(4)</sup> Director Pretoria, South Africa	Since November, 2009	12,963 <sup>(8)(11)</sup>
Richard Linnell <sup>(2)(3)(4)</sup> Director Randburg, South Africa	Since November, 2009	15,216 <sup>(9)(11)</sup>

Name, Position and Country of Residence	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
Sandile Zungu <sup>(3)(4)</sup> Director British Columbia, Canada	Since November 2008	37,222 <sup>(10)(11)</sup>

Notes:

- (1) The information as to securities beneficially owned or controlled is not within the knowledge of management of the Company and has been furnished by the respective nominees and is based on insider reports filed on [www.sedi.ca](http://www.sedi.ca) as at July 11, 2011.
- (2) Member of the Audit Committee.
- (3) Member of the Nominating and Governance Committee.
- (4) Member of the Compensation Committee.
- (5) Dr. Bristow also holds options to purchase 29,967 Common Shares at \$9.30 each, expiring September 24, 2012, options to purchase 33,333 Common Shares at \$0.90 each, expiring December 7, 2014, and options to purchase 50,000 Common Shares at \$0.975 each, expiring October 8, 2015.
- (6) David Copeland also holds options to purchase 33,300 Common Shares at \$9.30 each, expiring September 24, 2012, options to purchase 40,000 Common Shares at \$0.90 each, expiring December 7, 2014 and options to purchase 46,667 Common Shares at \$0.975 each, expiring October 8, 2015.
- (7) Gary Wu holds options to purchase 13,333 Common Shares at \$0.975 each, expiring October 8, 2015.
- (8) Dr. Jacobs also holds options to purchase 33,333 Common Shares at \$0.90 each, expiring December 7, 2014 and options to purchase 33,333 Common Shares at \$0.975 each, expiring October 8, 2015.
- (9) Richard Linnell also holds options to purchase 20,000 Common Shares at \$0.90 each, expiring December 7, 2014 and options to purchase 33,333 Common Shares at \$0.975 each, expiring October 8, 2015.
- (10) Sandile Zungu holds options to purchase 20,000 Common Shares at \$0.90 each, expiring December 7, 2014 and options to purchase 16,667 Common Shares at \$0.975 each, expiring October 8, 2015.
- (11) Directors Fees for the Company's 2009 financial year settled in Common Shares at \$0.90 each.
- (12) Effective July 11, 2011 the Company completed a consolidation of its outstanding Common Shares on the basis of 15 pre-consolidated Common Shares for 1 post-consolidated Common Share.

**Biographical Information about Board Nominees**

The following information as to principal occupation, business or employment is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

***Dr. Mark Bristow - Director***

Dr. Bristow was appointed to the Board in October 2006. Dr. Bristow has more than 20 years experience in exploration, development, project and corporate finance and management in the mining sector in Africa.

From 1992 to 1995, Dr. Bristow had executive responsibility for the exploration and new business activities of Randgold & Exploration, and in August 1995 he was appointed managing director. In October 1995, Dr. Bristow was appointed CEO of Randgold Resources Limited, which he helped establish as Randgold & Exploration's international mining and exploration subsidiary, and subsequently built it into an independent, public gold mining and exploration company, listed on the London Stock Exchange as well as NASDAQ in New York. He has held director positions on the boards of: Harmony Gold Mining Company Limited, Durban Roodepoort Deep Limited, Blyvooruitzicht Gold Mining Company Limited, Buffelsfontein Gold Mines Limited, and the Grootvlei Proprietary Mines Limited. Until recently he was a director of AFPLATS Plc., the AIM listed junior platinum company. Besides his affiliation with Randgold, Dr. Bristow was the Chairman of SOMISY (Syama) until that company was sold to Resolute in 2004. He is currently the Chairman of the SOMILO Board of Directors (Loulo Gold Mining Company), and a non-executive Director of Morila Limited. He is also a member of the President of Senegal's Economic Advisory Committee as well as the President of Mali's advisory council. Dr. Bristow is a fellow of the Geological Society of South Africa and holds a PhD in geology from Natal University.



Dr. Bristow has been CEO of Randgold Resources, a publicly-traded company since it was incorporated in 1995. He currently is, or was within the past five years, an officer and/or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Midway Resources International	Director	November 2005	Present
Randgold Resources Limited	CEO and Director	August 1995	Present
Rockwell Diamonds Inc.	Director	December 2006	Present

***James Andrew Hartley Campbell, President, CEO and Director***

Before joining Rockwell Diamonds as President and CEO on June 1, 2011, Mr. Campbell was Vice President – New Business of Lucara Diamond Corp., following Lucara’s acquisition of African Diamonds plc (‘AFD’), where he was the Managing Director for four years. During his tenure with AFD he was instrumental in paving the way for the award of a Mining License for the AK6 project, Lucara’s flagship project in Botswana. Prior to joining AFD, Mr. Campbell was with De Beers for over twenty years, culminating in his position as General Manager responsible for advanced exploration and resource delivery in the Global Mining and Exploration group. During his career with De Beers he also led a number of diamond exploration and evaluation programmes and small-scale mine development projects. He was also involved in corporate management and personal assistant to Nicky Oppenheimer.

Mr. Campbell holds a degree in Mining and Exploration Geology from the Royal School of Mines (Imperial College, London University) and an MBA with distinction from Durham University. Mr. Campbell is a Fellow of the Institute of Mining, Metallurgy and Materials, Chartered Engineer (UK), Chartered Scientist (UK), a Professional Natural Scientist (RSA) and a member of the Institute of Directors of South Africa.

Mr. Campbell is, or was within the past five years, an officer and/or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
African Diamonds plc	Managing Director	December 2006	December 2010
Rockwell Diamonds Inc.	President and CEO	June 2011	Present
	Director	June 2011	Present
Stellar Diamonds plc	Non-Executive Director	February 2010	Present
Swala	Director	March 2007	Present
West African Diamonds plc	Executive Deputy Chairman	December 2006	February 2010

***David Copeland, P.Eng. – Chairman and Director***

David Copeland is a geological engineer who graduated in economic geology from the University of British Columbia. With over 30 years of experience, Mr. Copeland has undertaken assignments in a variety of capacities in mine exploration, discovery and development throughout the South Pacific, Africa, South America and North America, including alluvial bulk sampling and alluvial start-up operations in the Northwest Territories, Canada. His principal occupation is President and Director of CEC Engineering Ltd., a consulting engineering firm that directs and co-ordinates advanced technical programs for exploration and development on behalf of companies for which Hunter Dickinson Services Inc. provides services. He is also a director of Hunter Dickinson Services Inc.

Mr. Copeland is, or was within the past five years, an officer and/or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Amarc Resources Ltd.	Director	September 1995	Present
Continental Minerals Corporation	Director	November 1995	April 2011
	President & CEO	January 2008	April 2011
Curis Resources Ltd.	Director	November 2010	Present
Farallon Mining Ltd.	Director	December 1995	April 2009
Heatherdale Resources Ltd.	Director	November 2009	Present
	President & CEO	November 2009	October 2010
Great Basin Gold Ltd.	Director	February 1994	March 2008

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Northern Dynasty Minerals Ltd.	Director	June 1996	June 2010
Rockwell Diamonds Inc.	Director	September 2006	Present
	Chief Executive Officer	September 2006	September 2007
	Chairman	September 2007	Present
Taseko Mines Limited	Director	March 1994	June 2010

***Gary Wu - Director***

Mr. Wu is the managing partner of Godia Capital Partners, one of the first Chinese private equity funds created to focus on investment opportunities in resource projects in Africa.

Mr. Wu has been involved in Volvo Group's business development in China. During the period working for Volvo, Mr. Wu led Volvo commercial vehicles to play a major role in China and he was legendary for improving the brand recognition for Volvo commercial vehicles and Volvo's brand rank. He started his venture as the Chairman and Chief Executive Officer of SureAuto Corporation, a big box retailer in China's used car market.

Mr. Wu has been studying in Department of International Marketing, Arizona State University of US and obtained his degree in EMBA of Rutgers New Jersey, US.

Mr. Wu is, or was within the past five years, an officer and/or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
AB Volvo Group Global	Vice President of Volvo Group, Strategic Alliance	April 2006	September 2007
Rockwell Diamonds Inc.	Director	July 2010	Present
Volvo Trucks Corporation	Executive Vice President, Area Asia President and CEO, Greater China	November 2005	April 2006

***Dr. Willem Jacobs - Director***

Dr. Jacobs has over 25 years' experience in the engineering, mining and investment sectors, including 20 years in executive, Chief Executive and Chief Operating Officer, as well as board level positions of private and public companies. His experience includes an excellent track record in the industrial minerals industry, including mining and production of low grade deposits, marketing, product development, and product and company positioning. He has worked and operated globally in complex and multi-cultural environments which includes seasoned working knowledge of people, systems and legal frameworks in North and South America, Australia, the Middle East and the Far East including China, Japan and India. He also has extensive experience and a proven track record in corporate turnarounds, mergers and acquisitions, and post acquisition alignment and optimizations of combined business entities.

Dr. Jacobs' career spans strategy, corporate finance, company turnarounds and mergers and acquisitions. He has been CEO and COO of various major companies over the last 20 years. He also has a D.Com degree in strategy.

Dr. Jacobs is, or was within the past five years, an officer and/or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Congo Supply and Maintenance	Director	January 2009	2010
Europe Minerals BV	Non Executive Director	2001	2007
Randgold Resources Limited	General Manager: Central and East Africa	February 2010	Present
Rockwell Diamonds Inc.	Director	October 2009	Present
Teal Mining and Exploration	Country Manager	May 2007	December 2008

***Richard J. Linnell - Director***

Richard has been active in the resource metals field for nearly forty years and has significant global experience in the development and marketing of resources and commodities. After a period as a geologist he became involved in the establishment of Delta Manganese Project (now MMC) in Nelspruit.

After the commissioning of the Delta Project, he attended Henley Management College in the United Kingdom before assuming General Management positions with Delta. Thereafter, he was involved in the establishment of Murray & Roberts Industrial Corporation, the industrial holdings Company of the Murray & Roberts Construction Group.

He then joined Middelburg Steel & Alloys as Marketing Manager for the Stainless Steel division and was subsequently involved in the establishment of the Columbus Stainless Steel Project. Mr. Linnell then became General Manager of the Manganese Division of Samancor, a joint venture between the then Billiton Plc and the Anglo American Corporation. Samancor had a dominant position globally in manganese and chrome markets.

While involved with the Manganese Division of Samancor, Mr. Linnell was active in the Ukraine, Georgia, India, China, Latin America, as well as with the major steel producing countries of the world, including the USA, Japan and the EU. He then became responsible for Billiton Plc’s Exploration and Development activities within Africa, and has guided detailed discussions in Guinea, Mauritania, Sudan, Morocco, and Democratic Republic of Congo and Zambia, as well as South Africa.

Over the past ten years since retirement from a full time role at BHP Billiton, he has been intensely involved in risk management in the African context and has interacted with the World Bank and its associates, the IFC and MIGA.

In this mode, he was the originator of the Bakubang Initiative, a Forum designed to revive the SA Mining Industry which lead to the establishment of the New Africa Mining Fund.

He has retired as a non-executive director of BHP Billiton SA Ltd (where he consulted on issues in the public domain such as the New Mineral and Petroleum Development Act).

He is now active in the Junior Mining Sector and is on the boards of Rockwell Diamonds, (SA), Sacoil (DRC and Tunisia), Mag Industries (Roc) and Coal of Africa (SA), amongst others.

Mr. Linnell is, or was within the past five years, an officer and/or director of the following companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Brinkley Mining Company Limited	Chairman	2008	2009
Chrome Corporation Limited	Chairman	2007	2009
Coal of Africa Limited	Chairman	2001	Present
AMEC Minproc Limited	Director	2008	Present
IPSA Ltd	Non Executive Chairman	2010	Present
Mag Industries Corporation	Director	2006	Present
Maghreb Minerals Plc	Chairman	2008	2011
Moydoy Mines International Inc	Director	2007	Present
Namakwa Diamonds Limited	Director	2003	2006
Rockwell Diamonds Inc.	Director	October 2009	Present
Sacoil Holdings Limited	Chairman	2004	Present

***Sandile Zungu – Director***

Mr. Sandile Zungu, a mechanical engineer with an MBA and a founding member of Zungu Investments Company (Proprietary) Limited (“Zico”), a diversified investment company which is the majority shareholder of Rockwell’s empowerment partner Africa Vanguard Resources (“AVR”), has joined the Board as an independent director.

Sandile Zungu is founder, Chairman and majority shareholder of Zico, a broad-based black empowerment company. Mr. Zungu spent six years in engineering and production at Richards Bay Minerals, Engen Refinery, National Sorghum Breweries and South African Breweries. He subsequently joined the corporate finance division of African Merchant Bank, following which he played a key role in the formation of Sarhwi Investment Holdings growing it

from a zero asset base to more than ZAR400 million in the net asset value. Thereafter he assumed the role of Executive Director for Strategy and Empowerment at New Africa Investments Limited. He created Zico in 2002, a broad based and diversified industrial holding organization with interests in financial services, media, health care, and resources, the latter being held in AVR. AVR is Rockwell's empowerment partner and holds 26% of the prospecting and mining rights held in South Africa, with Rockwell holding the remaining 74%. Sandile completed a mechanical engineering degree at the University of Cape Town and an MBA at the Graduate School of Business, University of Cape Town.

Mr Zungu is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Rockwell Diamonds Inc.	Director	November 2008	Present
Zungu Investments Company (Proprietary) Ltd.	Executive Chairman	February 2002	Present

## CORPORATE GOVERNANCE

### Mandate of the Board

The Board adopted a formal mandate as outlined in the Corporate Governance Policies and Procedures Manual (the "Manual") on February 28, 2008. The Manual mandates the Board to: (i) assume responsibility for the overall stewardship and development of the Company and monitoring of its business decisions, (ii) identify the principal risks and opportunities of the Company's business and ensure the implementation of appropriate systems to manage these risks, (iii) oversee ethical management and succession planning, including appointing, training and monitoring of senior management and directors, and (iv) oversee the integrity of the Company's internal financial controls and management information systems. In addition, the Manual includes written charters for each committee. Further, the Manual encourages but does not require continuing education for its directors and it contains a code of ethics, policies dealing with issuance of news releases and disclosure documents, as well as share trading black-out periods. A copy of the Manual is available for review at the Company's website [www.rockwelldiamonds.com](http://www.rockwelldiamonds.com)

The attendance record of the directors for the 12 months ended February 28, 2011 is as follows:

Name	Board Meetings Attended	% of Board Meetings Attended
William Fisher <sup>(1)</sup>	Nil	N/A
John Bristow <sup>(2)</sup>	7 out of 7	100%
Mark Bristow	7 out of 7	100%
David J. Copeland	7 out of 7	100%
Sandile Zungu	2 out of 7	29%
Willem Jacobs	7 out of 7	100%
Richard Linnell	7 out of 7	100%
Yong Guo <sup>(3)</sup>	1 out of 7	14%
Gary Wu <sup>(4)</sup>	1 out of 7	14%
David Barber <sup>(5)</sup>	2 out of 7	29%

Notes:

- (1) William Fisher resigned as a director on March 25, 2010.
- (2) Dr. John Bristow resigned as a director on May 18, 2011.
- (3) Yong Guo was appointed as a director on January 6, 2010 and resigned as a director on June 28, 2010.
- (4) Gary Wu was appointed as a director on June 28, 2010.
- (5) David Barber was appointed as a director on September 10, 2010 and resigned as a director on December 21, 2010.
- (6) James Campbell was appointed as a director on June 30, 2011.

### Composition of the Board

Applicable governance policies require that a listed issuer's Board of Directors determine the status of each director as independent or not, based on each director's interest in or other relationship with, the corporation. Applicable governance policies recommend that a Board be constituted with a majority of directors who qualify as independent

directors (as defined below). A Board should also examine its size with a view to determining the impact of the number of directors upon the effectiveness of the board, and the board should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The Manual allows for retention of independent advisors for board members when they consider it advisable.

Under applicable policies, an “independent” director is one who has no direct or indirect material relationship with the Company. Generally speaking, a director is independent if he or she is free from any employment, business or other relationship which could, or could reasonably be expected to; materially interfere with the exercise of the director’s independent judgement. A material relationship includes having been (or having a family member who has been) within the last three years an employee or executive of the Company or having been employed by the Company’s external auditor. An individual who (or whose family member) is or has been within the last three years, an executive officer of an entity is deemed to have a material relationship as is any individual who (or whose family members or partners) received directly or indirectly, any consulting, advisory, accounting or legal fee or investment banking compensation from the Company (other than compensation for acting as a director or as a part time chairman or vice-chairman).

The Board proposes seven nominees for the office of director of whom two of the nominees can be considered as “independent” directors. The “independent” nominees are Richard Linnell and Willem Jacobs. These nominees are considered independent by virtue of not being executive officers of the Company, not having a material relationship with the Company and having received no compensation other than in their role as directors. The non-independent directors (and the reasons for that status) are David Copeland, Chairman, (provides engineering services), Mark Bristow (brother of John Bristow, the former President and Chief Executive Officer of the Company) and Sandile Zungu (Chairman and majority shareholder of Zico, which is the majority shareholder of the Company’s empowerment partner, AVR) and Gary Wu (nominee of Godia Capital Partners, a significant shareholder of the Company).

Mr. Copeland serves on other boards of directors of other publicly traded companies affiliated with a private management company, Hunter Dickinson Services Inc. (“HDSI”). As described in the Company’s AIF, HDSI is a private company that provides geological, accounting, management and administrative services to a number of public companies (of which the Company is one). HDSI employs members of the executive management of all such companies (of which the Company is one) and HDSI in turn invoices the companies for their share of these executive and director services, as well as other services, including geological, accounting, management and administrative services.

### **Committees of the Board**

The Manual requires that (i) committees of the Board be composed of at least a majority of independent directors (ii) the Board expressly assume responsibility, or assign to a committee of directors responsibility, for the development of the Company’s approach to governance issues, (iii) the audit committee of every board be composed only of independent directors, and the role of the audit committee be specifically defined and include the responsibility for overseeing management’s system of internal control, (iv) the audit committee have direct access to the Company’s external auditor, and (v) the Board appoint a committee, composed of a majority of independent directors, with the responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis.

As well as an audit committee, the Board also has a compensation committee and a nominating and governance committee.

### ***Audit Committee***

The Board has established an audit committee which currently consists of Willem Jacobs and Richard Linnell. The audit committee carries out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company’s independent auditors and other matters under the authority of the committee. See further disclosure in the AIF filed on [www.sedar.com](http://www.sedar.com) on May 30, 2011. The Company adopted an Audit Committee Charter on February 28, 2008 and it is included in the Manual. The Audit Committee Charter is also available for viewing at the Company’s website at [www.rockwelldiamonds.com](http://www.rockwelldiamonds.com).

### ***Compensation Committee***

The Board has established a compensation committee which currently consists of Willem Jacobs, Richard Linnell and Sandile Zungu. The compensation committee recommends compensation for the directors and executive officers of the Company. See further disclosure under Statement of Executive Compensation below. The Compensation Committee Charter was adopted on February 28, 2008 and is included in the Manual. This Compensation Committee Charter is available to view at the Company's website at [www.rockwelldiamonds.com](http://www.rockwelldiamonds.com).

The function of the compensation committee is to review, on an annual basis, the compensation paid to the Company's executive officers and directors, to review the performance of the Company's executive officers and to make recommendations on compensation to the Board.

The Compensation Committee also periodically considers the grant of stock options. Options have been granted to the executive officers and directors and certain other service providers taking into account competitive compensation factors and the belief that options help align the interests of executive officers, directors and service providers with the interests of shareholders.

### ***Nominating and Governance Committee***

The Board has established a nominating and governance committee (the "NG committee") which currently consists of Richard Linnell and Sandile Zungu.

The NG committee has the responsibility of developing and recommending to the Board the Company's approach to corporate governance and assists members of the Board in carrying out their duties. The NG committee also reviews all new and modified rules and policies applicable to governance of listed corporations to assure that the Company remains in full compliance with such requirements as are applicable to the Company.

The nominating function of the NG committee is to evaluate and recommend to the Board the size of the Board and persons as nominees for the position of a director of the Company and to formalize the process for ensuring the nomination of high calibre directors and proper director succession planning. The Company has formal procedures for assessing the effectiveness of Board committees as well as the Board as a whole. Under the Manual, this function is to be carried out annually under the direction of the NG committee and those assessments are then provided to the Board.

### **Board Decisions**

Good governance policies require the Board of a listed corporation, together with its chief executive officer, to develop position descriptions for the Board and for the chief executive officer, including the definition of limits to management's responsibilities. Any responsibility, which is not delegated to senior management or to a committee of the Board remains with the Board.

### **Recruitment of New Directors and Assessment of Board Performance**

Good governance policies require that (i) every board of a listed corporation implement a process for assessing the effectiveness of the board and the committees of the board and the contribution of individual directors, (ii) every corporation provide an orientation and education program for new directors, and (iii) every board review the adequacy and form of compensation of directors and ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director.

See the discussion under Nominating and Governance Committee above.

### ***Directorships***

The Election of Directors section above in this Information Circular provides details of other reporting issuers of which each director is a director or officer as at the date hereof.

### ***Orientation and Continuing Education***

The Company has traditionally retained experienced mining people as directors and hence the orientation needed is minimized. When new directors are appointed, they are acquainted with the Company's mineral projects and the expectations of directors. Board meetings generally include presentations by the Company's senior management and project staff in order to give the directors full insight into the Company's operations.

### ***Ethical Business Conduct***

The Board has adopted an ethics policy (set out in the Manual) which is available for download from the Company's website at [www.rockwelldiamonds.com](http://www.rockwelldiamonds.com). The Board also believes that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

### ***Nomination of Directors***

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

### ***Assessments***

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. The NG Committee is mandated to oversee an annual formal assessment of the Board and its three committees namely the audit committee, compensation committee and the NG committee.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **General Provisions**

"Named Executive Officer" ("NEO") means each of the following individuals:

- (a) a Chief Executive Officer ("CEO");
- (b) a Chief Financial Officer ("CFO");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at February 28, 2011.

### **Compensation Discussion and Analysis**

The Company's compensation policies and programs are designed to be competitive with similar resource companies and to recognize and reward executive performance consistent with the success of the Company's business.

The Board has established a compensation committee consisting of Willem Jacobs, Richard Linnell and Sandile Zungu. The function of the compensation committee as set out in the Manual is to assist the Board in fulfilling its

responsibilities relating to the compensation practices of the executive officers of the Company. To achieve this purpose, the compensation committee has the duty, responsibility and authority to:

- (a) recommend to the Board the form and amount of compensation to be paid by the Company to directors for service on the Board and on Board committees. The compensation committee shall review director compensation at least annually;
- (b) annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other equity-based compensation programs and recommend changes in or additions in such structure and plans to the Board as needed;
- (c) recommend to the Board the annual base compensation of the Company's executive officers and senior managers (collectively the "Officers");
- (d) recommend to the Board the range of increase or decrease in the annual base compensation for non-Officer personnel providing services to the Company;
- (e) recommend to the Board annual corporate goals and objectives under any incentive compensation plan adopted by the Company for Officers and non-Officer personnel providing services to the Company, and recommend incentive compensation participation levels for Officers and non-Officer personnel providing services to the Company under any such incentive compensation plan. In determining the incentive component of compensation, the Committee will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years;
- (f) evaluate the performance of Officers generally, and in light of annual corporate goals and objectives under any incentive compensation plan;
- (g) periodically review with the Chairman and CEO their assessments of corporate officers and senior managers and succession plans, and make recommendations to the Board regarding appointment of officers and senior managers;
- (h) provide oversight of the performance evaluation and incentive compensation of non-Officer personnel providing services to the Company;
- (i) administer the Company's stock option and other equity based compensation plans and determine the annual grants of stock options and other equity based compensation; and
- (j) recommend to the NG committee the qualifications and criteria for membership on the compensation committee.

### ***Report on Executive Compensation***

The Valuation Report on executive compensation has been authorized by the compensation committee. The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company although the compensation committee guides it in this role. As part of its mandate, the Board determines the type and amount of compensation for the Company's executive officers. In addition, the Board reviews the methodology utilized by the Company for setting salaries of employees throughout the organization.

The compensation committee receives competitive market information on compensation levels for executives.

Mr. James Campbell, President and CEO, Mr. Gerhard Jacobs, the CFO, and Mr. Michael Stanley Hunt, the Chief Operating Officer, serve the Company on a full-time basis. Dr. John Bristow resigned as President and Chief Executive Officer of the Company with effect from December 14, 2010 and he resigned his position as director of



the Company on May 18, 2011. James Andrew Hartley Campbell was appointed as President and CEO on June 1, 2011 and was appointed as a director on June 30, 2011.

Graham Chamberlain stepped down as Chief Operating Officer on July 8, 2011 and Michael Stanley Hunt was appointed as Chief Operating Officer with effect from July 11, 2011.

### *Philosophy and Objectives*

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Company's Shareholders.

In compensating its senior management, the Company has employed a combination of base salary, bonus compensation and equity participation through its stock option plan.

### *Base Salary*

In the Board's view, paying base salaries that are competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives. Competitive salary information on comparable companies within the industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications.

### *Bonus Compensation*

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. Bonuses are awarded at the discretion of the Board. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the compensation committee, and such recommendations are generally based, if necessary, on survey data provided by independent consultants. There were no bonuses awarded in the financial year.

### *Equity Participation*

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its Shareholders. Equity participation is accomplished through the Company's stock option plan. Stock options are granted to senior executives taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. Options are generally granted to senior executives and vest on terms established by the compensation committee.

Given the evolving nature of the Company's business, the Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

### *Compensation of the Chief Executive Officer*

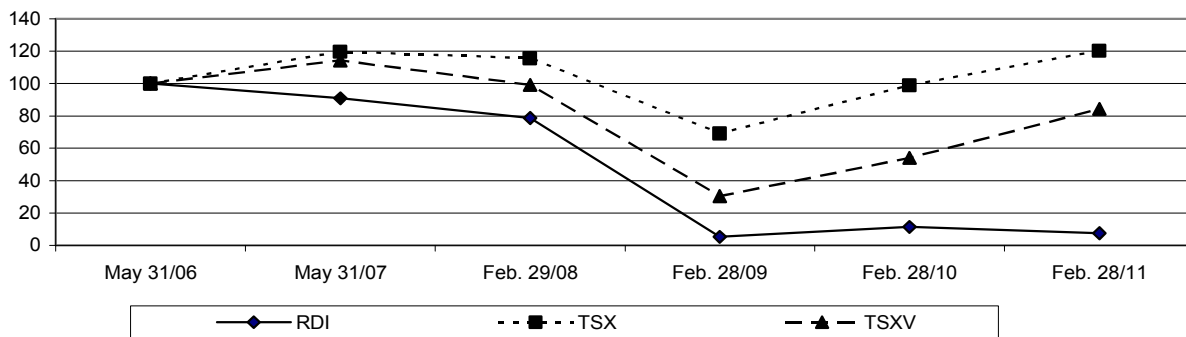
Under the Manual, the compensation of the CEO is to be approved by the Board. Base salary and bonus levels are determined taking into account independent market survey data.

The compensation committee reviews the grants of stock options to directors, management, employees and consultants. Options have been granted in prior years taking into account competitive compensation factors and the belief that options help align the interests of such persons with the interests of shareholders.

As noted above under *Bonus Compensation*, incentive that may be paid to the CEO and any other member of the Executive or senior management team are determined in respect of the individuals and management team achieving strategic objectives and milestones which are set at the beginning of each year by the compensation committee and approved by the Board. No incentives of any nature have been awarded in the past financial year due to the financial challenges faced by the Company as a consequence of the economic recession and sharp decline in diamond prices.

### Performance Graph

The Company commenced trading on the Toronto Stock Exchange (the “TSX”) on February 22, 2008. Prior thereto it was listed on the TSX Venture Exchange (the “TSXV”). In 2007 the Company changed its year end from May 31 to February 28. The following graph compares the cumulative total return to a shareholder who invested \$100 in Common Shares of the Company on May 31, 2006 until February 28, 2011 with the cumulative total return of the TSX and TSXV.



The Company’s compensation policies and programs are designed to be competitive with similar junior mining exploration companies and to recognize and reward executive performance consistent with the success of the Company’s business.

As a result of the credit crisis, commodities prices collapsed, with diamonds being particularly hard hit. This, coupled with uncertainty raised from an unsolicited take-over attempt resulted in a collapse in the share price.

The performance of management cannot be measured on the share price, but in maintaining liquidity, increasing production and reducing costs. The fact that the Company is still in operation where many of its peers have failed completely is evidence of the commitment and creativity of management in ensuring that the Company is still operational.

No salary increases, bonuses or incentives of any nature have been awarded in the past financial year due to the financial challenges faced by the Company as a consequence of the economic recession and sharp decline in diamond prices.

#### *Actions, Decisions or Policies Made after February 28, 2011*

Given the evolving nature of the Company’s business, the Board and its compensation committee continue to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above. No actions, decisions or policies have been made since February 28, 2011 that would affect a reader’s understanding of NEO compensation, except for the following:

- (a) Dr. John W. Bristow resigned as President and CEO on December 14, 2010 and he resigned his position as Director on May 18, 2011;

- (b) James Andrew Hartley Campbell was appointed as President and CEO on June 1, 2011 and was appointed as a director on June 30, 2011. Mr. Campbell signed an employment agreement with the Company on May 5, 2011 and commenced employment on June 1, 2011; and
- (c) Graham Chamberlain resigned as Chief Operating Officer on July 8, 2011; and Michael Stanley Hunt was appointed Chief Operating Officer effective July 11, 2011.

### **Option Based Awards**

The Company has in place a share option plan dated for reference August 14, 2008 (the “**Plan**”). Under TSX policies the Plan must be submitted to shareholders for renewal every three years. The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The maximum aggregate number of Common Shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding Common Shares at the time the options are granted, less any Common Shares reserved for issuance under any other arrangements. The Plan is administered by the Compensation Committee of the Company. The Plan provides that options will be issued pursuant to option agreements to directors, officers, employees or consultants of the Company or a subsidiary of the Company. All options expire on a date not later than five years after the issuance of such option. Previous grants of option-based awards are taken into account when considering new grants of options. Subject to the requirements of the policies of the TSX and the prior receipt of any necessary regulatory approval, the Board may, in its absolute discretion, amend or modify the Plan or any outstanding option granted under the Plan, as to the provisions set out in the Plan. See “Adoption of New Share Option Plan” under Particulars of Other Matters to be Acted Upon below.

The following is a summary of the material terms of the Plan:

- (a) currently all options granted under the Plan are non-assignable and non-transferable and are issuable for a period of up to five years;
- (b) for stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed optionee is a bona fide employee or service provider (inclusive of management company employees), as the case may be, of the Company or any subsidiary;
- (c) if an optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any option held by such optionee may be exercised within 90 days after the date such optionee ceases to be employed as an officer or director or, as the case may be;
- (d) if an optionee dies, any vested option held by him at the date of death will become exercisable by the optionee’s lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;
- (e) in the case of an optionee being dismissed from employment or service for cause, such optionee’s options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- (f) the minimum exercise price of an option granted under the Plan must not be less than the Market Price calculated the day before the grant (as defined in the Plan);
- (g) vesting of options shall be in accordance with the option commitment in the New Option Plan or otherwise, at the discretion of the Board, and will generally be subject to: (i) the service provider remaining employed by or continuing to provide services to the Company or any of its affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or any of its affiliates during the vesting period; or (ii) the service provider remaining as a director of the Company or any of its affiliates during the vesting period;
- (h) the maximum aggregate number of shares issuable upon exercise of options to non-employee directors must not exceed 1% of the total Common Shares of the Company outstanding at any time and no more than \$100,000 in total award value per non-employee director on an annual calendar basis; and

- (i) the Board reserves the right in its absolute discretion to terminate the Plan with respect to all Plan shares in respect of options which have not yet been granted hereunder.

The Plan has the following restrictions, which restrictions may only be superseded by the Company obtaining approval of the disinterested shareholders (defined below) of the Company in each instance:

- (i) Common Shares being issuable to Insiders under the Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares;
- (ii) Common Shares to be issued to Insiders under the Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares in any 12 month period;
- (iii) Common Shares being issuable to independent directors under the Plan, when combined with all of the Company's other share compensation arrangements, exceeding 1% of the outstanding Common Shares of the Company; and
- (iv) a reduction in the exercise price of an option granted hereunder to an Insider or an extension of the term of an option granted hereunder benefiting an Insider.

Options are generally granted to corporate executives in the first quarter of each year as part of the annual compensation review. Any special compensation is typically granted in the form of options. Options are granted at other times of the year to individuals commencing employment with the Company. The exercise price for the options is based on the volume weighted average of the closing price of the shares of the Company on the TSX for the 5 days prior to the date of grant.

### Summary Compensation Table

The compensation paid to the NEOs during the Company's three most recently completed financial years ended February 28, 2009, February 28, 2010 and February 28, 2011 is as set out below:

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation <sup>(3)</sup> (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans <sup>(3)</sup>	Long-term incentive plans			
<b>John Bristow</b> <sup>(4)</sup> former President and CEO	2011	352,753	Nil	58,500	Nil	Nil	Nil	Nil	411,253
	2010	346,030	Nil	32,000	Nil	Nil	Nil	Nil	378,030
	2009	333,455	Nil	121,900	Nil	Nil	Nil	Nil	455,355
<b>Desmond Morgan</b> former CFO <sup>(5)</sup>	2011	47,622	Nil	Nil	Nil	Nil	Nil	Nil	47,622
	2010	124,571	Nil	24,000	Nil	Nil	Nil	Nil	148,571
	2009	44,043	Nil	Nil	Nil	Nil	Nil	Nil	44,043
<b>Gerhard Jacobs</b> <sup>(5)</sup> former CFO	2011	191,133	Nil	52,000	Nil	Nil	Nil	Nil	243,133
<b>Graham Chamberlain</b> <sup>(6)</sup> COO	2011	211,652	Nil	58,500	10,441	Nil	Nil	Nil	280,593
	2010	69,206	Nil	24,000	Nil	Nil	Nil	Nil	93,206

Notes:

- (1) The Company's South African executives are compensated in South African Rand ("ZAR") and have been presented in Canadian dollars at an exchange rate of 1 Canadian dollar = ZAR 7.0871 (2010: ZAR 7.2248 and 2009: ZAR 7.872) the average monthly rate in effect for the year ended February 28, 2011.

- (2) These amounts represent the dollar amount based on the grant date fair value of the award for the year ended February 28, 2011. The options granted in the Company's financial year ended February 28, 2011 were granted pursuant to the Stock Option Plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Company's Common Share Price, expected dividend yield, and risk-free interest rate. The Black-Scholes grant date fair value for awards granted on October 8, 2010 was 86% of the option exercise price.
- (3) These amounts include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts for the year ended February 28, 2011.
- (4) Mr. Bristow resigned from the position of President and CEO on December 14, 2010.
- (5) Mr. Morgan resigned as CFO on July 16, 2010. Mr. Jacobs was appointed as CFO on July 19, 2010.
- (6) Graham Chamberlain commenced employment with the Company and was appointed Chief Operating Officer on November 1, 2009.

## Incentive Plan Awards

### *Outstanding Option-based Awards*

The following table sets out all share-based awards and option-based awards outstanding as at February 28, 2011, for each NEO:

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
John Bristow former President and CEO	39,967	9.30	Sept 24, 2012	Nil
	20,000	6.75	June 20, 2011	Nil
	40,000	0.90	December 7, 2014	Nil
	60,000	0.975	October 8, 2015	Nil
Gerhard Jacobs <sup>(2)</sup> CFO	53,333	0.975	October 8, 2015	Nil
Graham Chamberlain COO	30,000	0.90	December 7, 2014	Nil
	60,000	0.975	October 8, 2015	Nil
Desmond Morgan <sup>(2)</sup> former CFO	Nil	Nil	Nil	Nil

Notes:

- (1) The value at February 28, 2011 is calculated by determining the difference between the closing price of the Company's Common Shares at February 28, 2011 (\$0.05 per Common Share) underlying the option on the TSX and the exercise price of the options.
- (2) Mr. Jacobs was appointed as the new CFO effective July 19, 2010. Mr. Morgan resigned as CFO effective July 16, 2010 and any options held by Mr. Morgan expired unexercised.

### *Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets out all incentive plan awards (value vested or earned) during the year ended February 28, 2011, for each NEO:

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
John Bristow, former President and CEO	Nil	Nil
Desmond Morgan, former CFO	Nil	Nil
Gerhard Jacobs, CFO	Nil	Nil
Graham Chamberlain, COO	Nil	Nil

Note:

- (1) These amounts represent the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date. The value of each amount has been determined by taking the difference

between the market price of the option at date of exercise and the exercise or base price of the option under the option-based award on the vest date.

The Company has no pension plans for its directors, officers or employees.

### Termination and Change of Control Benefits

As at February 28, 2011 there were no written employment contracts between the Company and any NEO except the agreement with Gerhard Jacobs dated August 1, 2010, and the agreement with Graham Chamberlain dated November 21, 2009.

Under these agreements Gerhard Jacobs and Graham Chamberlain are to work full time for the Company and are eligible to receive stock options and a performance based bonus at the discretion of the compensation committee and the Board, as well as other standard benefits made available by the Company. Please see Summary Compensation Table above.

There are no other compensatory plans or arrangements, with respect to the NEOs resulting from the resignation, retirement or any other termination of employment of the NEOs or from a change of any NEO's responsibilities following a change in control.

### Potential Payments upon Termination

The following table provides information concerning the value of payments and benefits following termination of employment of each NEO under various circumstances. Payments vary based on the reason for termination and the timing of a departure. The amounts below are calculated as if the NEOs' employment had been terminated on February 28, 2011. Receipt of payments on termination is contingent on the NEO delivering a release to the Company.

NEO		Termination Without Cause	Change of Control
John Bristow	Salary	Nil	Nil
	Bonus	Nil	Nil
	Options	Nil	Nil
Gerhard Jacobs <sup>(1)(2)</sup>	Salary	150,696	301,392
	Bonus	Nil	Nil
	Options	Nil	Nil
Graham Chamberlain	Salary	105,826	211,652
	Bonus	Nil	Nil
	Options	Nil	Nil

Notes:

- (1) Mr. Jacobs was appointed as CFO on July 19, 2010.
- (2) Compensation of the Company's South African executives (including Mr. Chamberlain) was paid to them in South African Rand (ZAR). In the above table, an exchange rate of CDN\$1 = ZAR 7.143 was used.

Except as outlined above, there are no contracts, agreements, plans or arrangements that provide for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities.

### Director Compensation

#### *Director Compensation Table*

Each director of the Company, who is not an executive officer, is paid an annual director's fee of \$20,000. Each director who is a member of a committee receives either an additional \$5,000 for acting as Chairperson or \$3,000 for being a member of a committee.

The compensation provided to the directors, excluding a director who is included in disclosure for an NEO for the Company's most recently completed financial year of February 28, 2011 is:

Name	Fees earned (\$)	Share-based Awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
David Copeland <sup>(1)</sup>	25,601	Nil	45,500	Nil	Nil	Nil	71,101
Mark Bristow	20,000	Nil	48,750	Nil	Nil	Nil	68,750
William Fisher <sup>(2)</sup>	2,333	Nil	Nil	Nil	Nil	Nil	2,333
Sandile Zungu	26,000	Nil	16,250	Nil	Nil	Nil	42,250
Richard John Linnell	31,000	Nil	32,500	Nil	Nil	Nil	63,500
Willem Jacobus Jacobs	28,000	Nil	32,500	Nil	Nil	Nil	60,500
Yong Guo <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gary Wu <sup>(4)</sup>	11,667	Nil	13,000	Nil	Nil	Nil	24,667

Notes:

- (1) Fees paid to Mr. Copeland via CEC Engineering are based on time spent working on the Company's matters.
- (2) Mr. Fisher resigned as a director on March 25, 2010 and all his outstanding options expired.
- (3) Mr. Guo resigned as a director on June 28, 2010 and all his outstanding options expired unexercised.
- (4) Mr. Wu was appointed as a director on June 28, 2010.

The following table sets out all share-based awards and option-based awards outstanding as at February 28, 2011, for each director, excluding a director who is already set out in disclosure for a NEO for the Company:

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
David Copeland	33,300	9.30	Sept 24, 2012	Nil	Nil	Nil
	40,000	0.90	Dec 7, 2014	Nil	Nil	Nil
	46,667	0.975	Oct. 8, 2015	Nil	Nil	Nil
Mark Bristow	29,967	9.30	Sept 24, 2012	Nil	Nil	Nil
	33,333	0.90	Dec 7, 2014	Nil	Nil	Nil
	50,000	0.975	Oct. 8, 2015	Nil	Nil	Nil
Sandile Zungu	20,000	0.90	Dec 7, 2014	Nil	Nil	Nil
	16,667	0.975	Oct. 8, 2015	Nil	Nil	Nil
Richard John Linnell	20,000	0.90	Dec 7, 2014	Nil	Nil	Nil
	33,333	0.975	Oct. 8, 2015	Nil	Nil	Nil
Willem Jacobus Jacobs	33,333	0.90	Dec 7, 2014	Nil	Nil	Nil
	33,333	0.975	Oct. 8, 2015	Nil	Nil	Nil
Gary Wu	13,333	0.975	Oct. 8, 2015	Nil	Nil	Nil

Note:

- (1) The value at February 28, 2011 is calculated by determining the difference between the closing price of the Company's Common Shares at February 28, 2011 (\$0.05 per Common Share) underlying the option on the TSX and the exercise price of the options.

There was no value vested or earned under any incentive plan during the Company's fiscal year ended February 28, 2011.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

See “Adoption of New Share Option Plan” under Particulars of Matters to be Acted Upon below for disclosure on the Company’s share option plan.

The following table sets out equity compensation plan information for the fiscal year ended February 28, 2011.

***Equity Compensation Plan Information***

	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Plan Category</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders - (the Plan)	1,184,938	\$0.90	2,269,630
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	1,184,938	\$0.90	2,269,630

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the 12 months ended February 28, 2011, or has any interest in any material transaction in the current year other than in respect of the share option plan and as set out herein or in a document disclosed to the public.

*Hunter Dickinson Services Inc.*

Hunter Dickinson Services Inc. (“HDSI”) is a wholly owned subsidiary of Hunter Dickinson Inc. (“HDI”), a private company. HDSI was, until recently, owned equally by several public companies, one of which was Rockwell. During the year, Rockwell sold its interest in HDSI for nominal value. HDSI has a director in common with the Company (Mr. Copeland) and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company pursuant to annually set rates. During the year ended February 28, 2011, the Company paid HDSI \$467,151 (2010 – \$961,042; 2009 – \$1,280,316) for services rendered and amounts reimbursed to HDSI for third party costs incurred on the Company’s behalf.

*Flawless Diamonds Trading House*

Flawless Diamonds Trading House (Pty) Ltd (“Flawless Diamonds Trading House” or “FTDH”) is a private company where one director, D.M. Bristow, and certain former directors and/or officers of the Company, namely, Messrs. Brenner, and J.W. Van Wyk are shareholders. Rockwell owns a 20% interest in FTDH which was acquired with effect from May 5, 2010 for consideration of approximately \$100,000.



Flawless Diamonds Trading House is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Company for a fixed fee of 1% of turnover which is below the market rate charged by similar tender houses. FDTH was established in 2006 to provide a professional marketing and sales facility to market and sell Rockwell's diamond production. Rockwell had no prior experience of marketing high quality alluvial gemstone production and needed to position itself in relation to new diamond legislation which was being implemented at the time that Rockwell was establishing itself in the South African market. It was strategically important for Rockwell to have access to a strong and secure dedicated marketing facility to maximize revenue from the sale of its unique diamond production.

FDTH operates from South Africa's internationally recognized high security diamond trading and manufacturing hub known as Jewel City, Johannesburg. FDTH was established and is still run by experienced and internationally recognized diamantaire. The facility is operated by a small and highly experienced marketing and valuation team which collectively has over 100 years of rough diamond valuation, marketing and sales experience. FDTH follows rigorous diamond handling, security, and Kimberley Process protocols, and all marketing and sales procedures are monitored and facilitated by a proprietary computer based system. This system provides independent and transparent verification of results for sellers and buyers, and is acknowledged in the industry as a leading standard for transacting diamond sales. Aside from providing marketing and sales to Rockwell, FDTH also conducts sales on behalf of other small South African producers. During 2010 FDTH was responsible for selling 99.5% of the Company's aggregate diamond sales.

#### **Relationship with Daboll Consulting Ltd. (affiliate of the Steinmetz Diamond Group)**

Daboll Consultants Ltd., an affiliate of the Steinmetz Diamond Group, owns 10.5% (3.533 million Rockwell Common Shares) and has subscribed for a further 6.67 million Common Shares in the current placement at \$0.75 each.

Rockwell Diamonds Inc. has a Marketing and Beneficiation Agreement with the Steinmetz Diamond Group which was initially signed in October 2007. Under the terms of the agreement high valued rough diamonds produced by Rockwell are sold to Steinmetz at the market price. Rockwell receives 90% of the price up front with the remaining 10% payable on sale of the polished stone. The diamonds are cut and polished by Steinmetz' master cutters and on sale of the polished diamonds, Rockwell participates equally in the profits from the sale. The partnership was originally set up for stones exceeding \$500,000 in value, but was extended to include all stones exceeding 10 carats in 2009. In May 2011, the agreement was broadened further to include all stones larger than 2.8 carats.

The partnership has been successful for both counterparties as Steinmetz has access to Rockwell's pipeline of high valued stones, while Rockwell participates in the upside potential on the final sale of the stones where there is significant value leverage. Rockwell is the only diamond producer with a marketing and beneficiation agreement of this nature. Rockwell has generated total revenue of \$8.5 million from its profit shares in terms of the joint venture in the last three years, with the sale of 6,184 carats, while Steinmetz has access to the large and exceptional gemstones which are its speciality. As the stock of special stones in the joint venture increases, so Rockwell's potential for value added revenues grows. With the recent extension of the agreement to include stones exceeding 2.8 carats, the benefits for Rockwell will increase

#### **Black Economic Empowerment Holdings ("BEE") in Rockwell Properties**

During the year ended May 31, 2007, Africa Vanguard Resources (Proprietary) Limited ("AVR"), the holding Company of Richtrau No 136 (Proprietary) Limited ("Richtrau"), purchased through Richtrau a 15% interest in Van Wyk Diamond Group ("VWDG") from the Van Wyk Trust for an amount of ZAR22.5 million (\$3.4 million). The holdings of the VWDG comprised the mining projects known as Holpan, Klipdam, and Wouterspan purchased by Rockwell through its wholly owned South African subsidiary Rockwell Resources RSA (Proprietary) Limited ("Rockwell RSA") from H C Van Wyk Diamonds Limited. Subsequently, on November 30, 2008, AVR indicated its commitment to increase its shareholding in the VWDG to 26% by subscribing for an additional 11% of the shares in each of the entities comprising VWDG. The additional 11% stake was acquired by another subsidiary of AVR, Georgia Avenue Investments (Pty) Limited ("Georgia"), at a subscription price of ZAR17.5 million (\$2.6million). The AVR group was also contractually committed to inject ZAR10.5 million (\$1.6million) in working capital into the VWDG.

As a result of the world wide credit contraction and economic recession, depressed market conditions and decline in diamond prices, the AVR group indicated to the Board of Directors of Rockwell RSA (the holding company of the entities in VWDG) during the fourth quarter of fiscal 2009 that it was unable to make outstanding payments to complete its financial obligations, and that it was pursuing other funding mechanisms to meet its obligations. As at February 28, 2009, AVR owed Rockwell approximately ZAR19 million (\$2.9million) to conclude the Georgia transactions; this amount was still outstanding at May 31, 2011. The contractually committed ZAR10.5 million (\$1.6million) due to VWDG has also not been received from AVR to date.

Rockwell RSA continues to work in conjunction with AVR to pursue alternate sources of funding to assist AVR to complete its investment in the VWDG projects, and is still in negotiations with the Industrial Development Corporation (“IDC”) of South Africa. Rockwell RSA is also in on-going discussions with AVR, and is working with the Department of Mineral Resources with the assistance of its legal counsel to address the completion of the BEE participation in the share capital of the entities comprising VWDG. The shares for the outstanding equity purchases are held in trust by the legal firm Tabacks, pending conclusion of the transaction.

Effective October 2, 2008, AVR via Liberty Lane Investments (Proprietary) Limited, acquired a shareholding of an effective 26% in the Saxendrift project by subscribing for shares in Saxendrift Mines (Proprietary) Limited for an amount of approximately ZAR26 million(\$3.9million). This transaction was also conducted in respect of the Minerals and Petroleum Resources Development Act and has been structured via a loan structure underwritten by Rockwell Resources RSA. As of February 28, 2011, AVR has only paid an initial deposit of ZAR3 million (\$0.45million) in respect of this transaction which is structured over a two year period. Rockwell is also co-operating with AVR to find a solution to funding for the outstanding amount of this transaction.

## **MANAGEMENT CONTRACTS**

Management services were provided to the Company by HDSI pursuant to a corporate services agreement dated for reference November 28, 2008. Except for HDSI, there are no management functions of the Company which are to any substantial degree performed by a person or company other than the directors or senior officers of the Company.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **A. Adoption of New Share Option Plan**

At the annual general meeting in 2008 the shareholders approved adoption of a share option plan dated for reference August 14, 2008 (the “Existing Plan”). The maximum aggregate number of Common Shares that may be reserved for issuance under the Existing Plan at any point in time is 10% of the outstanding Common Shares at the time the options are granted, less any Common Shares reserved for issuance under any other arrangements. All options under the Existing Plan have an expiry term of five years. Pursuant to the rules of the TSX, a listed company with an option plan reserving a percentage of the issued and outstanding voting securities in its capital stock on a rolling basis must obtain shareholder approval for the continuation of the plan at every third annual meeting of its shareholders.

On July 28, 2011 the Board authorized the adoption of a new form of share option plan to be dated for reference September 9, 2011 and to be effective following the Meeting (the “New Plan”). The New Plan will provide for compliance with Canada Revenue Agency withholding tax requirements, will also provide for an expiry term of 10 years from the date of grant of an option, and incorporates a few other housekeeping amendments, the most noteworthy being changes to accommodate electronic trading and the issuance of uncertificated Common Shares.

As at August 4, 2011, there were options outstanding to purchase 2,241,898 Common Shares in the capital of the Company (representing 6.41% of the current issued and outstanding Common Shares in the capital of the Company). All previously allocated options under the Existing Plan will continue unaffected and be rolled into the New Plan. If shareholders do not approve the adoption of the New Plan, all previous granted options will not be available for re-allocation if the options are cancelled prior to the date of exercise of the option as the term of the

Existing Plan expires in September, 2011. If approved the Company would be authorized to issue additional options to purchase a further 1,257,359 (being 3.59% of the current issued and outstanding Common Shares in the capital of the Company) Common Shares.

Management of the Company is now seeking Shareholder approval to the adoption of the New Plan. Assuming Shareholders approve adoption of the New Plan, the Board will implement the proposed New Plan to: (a) increase the term of an option from an expiry period of five years to an expiry period of ten years; (b) provide for withholding arrangements for taxes levied upon exercise of options; and (c) provide for issuance and delivery of uncertificated Common Shares upon exercise of options under the New Plan. Effective January 1, 2011, amendments to the *Income Tax Act* (Canada) require the Company to withhold and remit to Canada Revenue Agency, the estimated tax on the deemed benefits arising from the exercise of stock options under an option plan.

The New Plan provides for a maximum of 10% of the issued and outstanding Common Shares of the Company at the time an option is granted, less Common Shares reserved for issuance pursuant to currently outstanding options, to be reserved for options to be granted at the discretion of the Compensation Committee to eligible optionees ("Optionees").

The following is a summary of the material terms of the New Plan:

- (a) All options granted under the New Plan are non-assignable and non-transferable and are issuable for a period of up to 10 years;
- (b) the minimum exercise price of an option granted under the New Plan must not be less than the Market Price calculated the day before the grant being an exercise price which is no less than the five day volume weighted average trading price ("VWAP") at the date of grant. VWAP means the price at which the exercisable Common Shares can be acquired and is calculated by dividing the total value of the Common Shares traded for the relevant period on the TSX by the total volume of shares;
- (c) for stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed optionee is a bona fide employee or service provider (inclusive of management company employees), as the case may be, of the Company or any subsidiary;
- (d) if an optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any option held by such optionee may be exercised within 90 days after the date of such optionee ceases to be employed as an officer or director or, as the case may be;
- (e) if an optionee dies, any vested option held by him at the date of death will become exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;
- (f) in the case of an optionee being dismissed from employment or service for cause, such optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- (g) vesting of options shall be at the discretion of the Board, and will generally be subject to: (i) the service provider remaining employed by or continuing to provide services to the Company or any of its affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or any of its affiliates during the vesting period; or (ii) the service provider remaining as a director of the Company or any of its affiliates during the vesting period; and
- (h) the Board reserves the right in its absolute discretion to terminate the New Plan with respect to all New Plan shares in respect of options which have not yet been granted hereunder.

Subject to TSX Policy requirements and the prior receipt of any necessary regulatory approval, the Board may in its absolute discretion, and without further shareholder approval, amend or modify the New Plan or any option granted as follows:

- (a) to make amendments which are of a typographical, grammatical or clerical nature;
- (b) to change the vesting provisions of an option granted hereunder;
- (c) to change the termination provision of an option granted hereunder, which does not entail an extension beyond the original expiry date of such Option;
- (d) to add a cashless exercise feature payable in cash or Common Shares which provides for a full deduction of the number of underlying Common Shares from the Common Shares reserved hereunder;
- (e) to make amendments necessary as a result in changes in securities laws applicable to the Company;
- (f) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSX, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- (g) to make such amendments as reduce, and do not increase, the benefits of the New Plan to Service Providers.

The New Plan provides that disinterested shareholder approval must be received prior to:

- (a) Common Shares being issuable to Insiders under the New Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares.
- (b) Common Shares to be issued to Insiders under the New Plan, when combined with all of the Company's other share compensation arrangements, exceeding 10% of the outstanding Common Shares in any 12 month period;
- (c) Common Shares being issuable to independent directors under the New Plan, when combined with all of the Company's other share compensation arrangements, exceeding 1% of the outstanding Common Shares of the Company; and
- (d) a reduction in the exercise price of an option granted hereunder to an Insider or an extension of the term of an option granted hereunder benefiting an Insider, would require the approval of the disinterested shareholders (define below) of the Company.

In the event any such matter is approved by disinterested vote it will need to be again approved by disinterested vote at the time the next three year vote to allow continuation of the Plan is required.

***Definitions:***

A "disinterested shareholder" means a shareholder that is not an Insider to whom options may be granted under the New Plan and they are not an Associate of any Insider.

An "Insider" is a director or an officer of the Company, a director or an officer of a company that is itself an Insider or a subsidiary of an Insider, or a person that has beneficial ownership of, and/or control or direction, either directly or indirectly over, securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities.

An "Associate" means, if used to indicate a relationship with any person,

- (a) a partner, other than a limited partner, of that person,
- (b) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity,
- (c) an issuer in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer, or
- (d) a relative, including the spouse, of that person or a relative of that person's spouse, if the relative has the same home as that person.

At the Meeting, shareholders will be asked to vote on the following ordinary resolution, with or without variation:

“Resolved that:

1. the Share Option Plan dated for reference September 9, 2011 (the “New Plan”), be adopted;
2. all currently available and unallocated options outstanding be rolled into the New Plan;
3. all unallocated entitlements under the New Plan be approved and authorized until September 9, 2014, or such earlier date as required by TSX Policy;
4. the Company has the ability to continue granting options under the New Plan on a 10% of issued Common Shares rolling basis from the date shareholder approval to the New Plan is obtained; and
5. any one or more of the directors and officers of the Company be authorized to perform all such acts, deeds and things and execute, under seal of the Company or otherwise, all such documents as may be required to give full effect to the intent and purpose of this resolution.”

All previously allocated options will continue unaffected regardless of the outcome of the vote. However, should the resolution not be approved by the shareholders, such allocated options will not be available for reallocation if they are cancelled, without further shareholder approval for the grant of the options.

The Company is of the opinion that the New Plan provides the Company with the flexibility necessary to attract and maintain the services of senior executives and other employees in competition with other businesses in the industry.

An ordinary resolution is a resolution passed by a simple majority of the votes cast at the Meeting by the shareholders who voted in respect of that resolution either in person or by proxy.

A copy of the New Plan may be obtained by contacting the Company's Investor Relations department at 15<sup>th</sup> Floor, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4H8, telephone number: 604-684-6365 or fax number 604-681-2741. A copy of the New Plan will also be made available at the Meeting for review by any Shareholder.

**The Board of Directors recommends that shareholders vote in favour of the resolution.** In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of this resolution.

## **B. Refinancing and Potential Change of Control**

### ***(i) Summary***

On June 10, 2011 the Company announced that it was seeking to recapitalize the Company by seeking up to \$35 million of new funding through a combination private placement financing and/or shareholder or public financing. Rockwell has approached investors and securities dealers in Canada, South Africa, the United States, China, Europe and the Middle East, but to the date hereof the Company has secured only one significant subscription and that is from Daboll Consultants Ltd., (“Daboll”) an existing Insider of the Company holding

10.09% of Rockwell's Common Shares. Daboll is an affiliate of the Steinmetz Diamond Group, and its subscription commitment (the "Daboll Subscription") is in addition to a \$2 million convertible bridge loan ("Daboll Loan") recently obtained from Daboll (also announced June 10, 2011). The Daboll Subscription is for \$5 million of Common Shares at a price of \$0.75 per share.

The Daboll Loan bears interest at a rate of 5% p.a. and is unsecured. If the Daboll Loan is not repaid after 12 months it will become convertible into Common Shares of the Company at \$0.5625 per Common Share (all figures herein are post the July 11, 2011 15:1 share consolidation). Although Daboll is currently an Insider of Rockwell, the Daboll Loan was exempt from the minority shareholder approval and valuation requirements under Canadian securities policy Multilateral Instrument 61-101 ("Special Transactions") because the loan represented less than 25% of Rockwell's then capitalization. Conversion of the Daboll Loan is limited under TSX rules to a maximum of 3.49 million Common Shares or 10% of Rockwell's currently issued share capital of 34.99 million Common Shares unless shareholder approval is obtained for any excess. Given the small amount of share convertibility (approximately 66,000 Common Shares) represented by the excess shareholder approval is not being sought.

Rockwell has a long standing partnership with Steinmetz, formalized in October 2007 through a marketing agreement focused on adding value to selected large and special high value stones. The arrangement pays Rockwell 90% of the prevailing rough diamond price, with the other 10% being on risk. It also provides for the Company to participate in 50% of the downstream added value from polishing and marketing. Proceeds from the private placement will be added to the Company's existing funds in order to augment its ability to achieve its target to increase the Company's production profile to 10,000 carats per month within six years. The Company will invest the proceeds from the Daboll Subscription and any funds of other investors in the private placement in the ongoing development of the Tirisano mine and a new plant at Wouterspan.

The private placement Common Shares were priced at \$0.75 which represents a premium to the current market for Rockwell shares however shareholder approval is required for the Daboll Subscription because Daboll is a related party of the Company. Although it is currently expected that other investors will participate in the private placement there can be no assurance of that and most likely Daboll's subscription will give it an effective voting control position in the Company. It is unlikely in the Board's view that any other third party participation in the placement will be of a sufficient level so that Daboll's shareholdings would decrease below the threshold requiring that shareholder approval be obtained. Daboll currently owns 3,533,333 Common Shares (10.09%) which it acquired as part of a private placement combined with a shareholder rights offering in early 2010. If Daboll were to be the only investor in the private placement it would acquire a further 6,666,667 Common Shares under the Daboll Subscription (\$5 million @ \$0.75) which together with the 3,499,256 Common Shares potentially issuable to it under the Daboll Loan, would make for aggregate holdings for Daboll of 13,699,256 shares (30.34%) out of a then outstanding Rockwell share capital of 45,158,494 Common Shares (34,992,571 +6,666,667+ 3,499,256). Daboll's participation would represent a maximum of 19.05% of the Company's Common Shares however in light of participation planned by insiders (see below) and some other arms-length investors, the Daboll participation will be somewhat less than the foregoing maximums (which also presume the exercise of Daboll's convertible loan which is far from certain). If the participation of the other insiders (see below) is included, insiders will purchase a maximum of 7,666, 667 Common Shares (or 21.9% of the currently outstanding Common Shares ).

Daboll, as an insider is also considered a "related party" to Rockwell and the Daboll Subscription is a related party transaction. As a related party transaction of over 25% of Rockwell's current capitalization, Daboll's subscription requires compliance with both MI 61-101 which mandates certain minority shareholders protections in the case of a related party transaction and with TSX policies. In particular MI 61-101 requires that Rockwell provide shareholders with the results of a formal valuation and that the resolution for approval of the Daboll Subscription exclude the votes of Daboll. In connection with the Daboll subscription, Rockwell obtained a formal valuation which is discussed below. The formal valuation estimates that the value of Rockwell's Common Shares could be as high as about \$2.00 however the Company has, despite approaches to several investors and at least two securities dealers, so far only attracted the Daboll Subscription at the \$0.75 level. Under TSX policies disinterested shareholder approval of the private placement is required because the transaction involves insiders purchasing Common Shares in excess of 10% of the Company's Common Shares in a six month period and because the investment by Daboll will likely materially affect control of Rockwell.

Participation of certain directors and officers in the proposed private placement is as follows:

		Shares Currently Owned	Value (C\$)	Shares to be Purchased	Shares Owned after Private Placement
	Position	number (%)			number (%)
David Copeland	Director	96,919 (0.27%)	\$150,000	200,000	296,919 (0.70%)
Mark Bristow	Director	495,223 (1.42%)	\$361,362	481,816	977,039 (2.29%)
James Campbell	Officer	Nil	\$ 21,429	28,571	28,571 (0.07%)
Subtotal:		592,142 (1.69%)	\$532,791	710,387	1,302,529 (3.05%)
Other possible Insider	N/A	Nil	\$217,209	289,613	N/A
Total		592,142 (1.69%)	\$750,000	1,000,000	1,592,142 (3.73%)

Common Shares owned after the private placement is based on a maximum of 42,659,238 Common Shares outstanding after the private placement. There is no certainty any other insiders will participate. Shareholders should only vote for the requested resolution if they are prepared to cede effective control to Daboll (assuming no other investor elects to participate to a large enough extent to effectively change that result). Shareholders will be asked to approve an ordinary resolution of disinterested shareholders, defined above (i.e. excluding the votes of Daboll), with or without variation as follows:

“Resolved, as an ordinary resolution, that the Board of Directors of the Company be authorized to conclude a private placement of 6,666,667 common shares in the capital stock of the Company at a price of \$0.75 per common share to Daboll Consultants Ltd., and to allow the participation of other insiders to the extent of up to 1,000,000 shares (\$750,000) as more particularly described in the Company’s Information Circular having an information date of August 4, 2011.”

An ordinary resolution is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy. The 13,699,256 Common Shares currently held by Daboll and the Common Shares held by the above insiders will accordingly not be voted on the resolution.

**The directors unanimously recommend that shareholders vote IN FAVOUR of the resolution on the basis that the Company requires these funds for development of its properties and that it has thoroughly canvassed the market for additional investors before concluding the transaction with Daboll.**

***(ii) Formal Valuation***

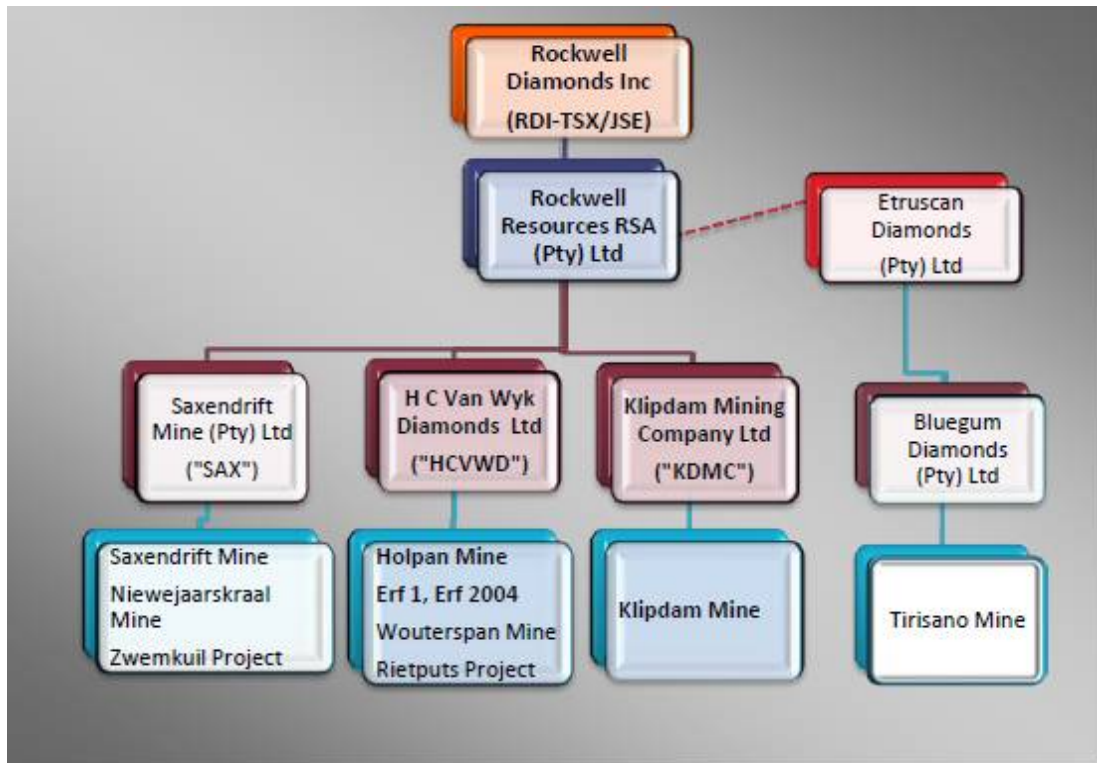
Evans & Evans, Inc. (“Evans & Evans”) was engaged by the Company to prepare a Comprehensive Valuation Report (the “Report”) with respect to the fair market value of 100% of the issued and outstanding shares of the Company as at June 15, 2011 (the “Valuation Date”). Evans & Evans is headquartered in Vancouver, British Columbia and its team of Chartered Business Valuators (CBVs) has provided business valuation services for over eighteen years to the public and private sectors. For more information about the valuers see: <http://evansevans.com/>. The responsible partner of Evans & Evans is Ms. Jennifer Lucas who is a graduate of the University of Saskatchewan (1993) with a Bachelor of Commerce degree and the University of British Columbia (1995) with a Masters in Business Administration degree. She holds the professional designations of Chartered Business Valuator and Accredited Senior Appraiser and is a member of the Canadian Institute of Chartered Business Valuators and the American Society of Appraisers. Ms. Lucas has been employed as an analyst and valuator with Evans & Evans, Inc. since 1997 and possesses several years of relevant experience as an analyst in the public and private sector in British Columbia and Saskatchewan. Her background includes working for the Office of the Superintendent of Financial Institutions of British Columbia as a Financial Analyst. At Evans & Evans she has been involved in writing and reviewing over 500 valuation and due diligence reports for public and private transactions. Over the past five years she has examined and provided valuations on numerous mineral properties around the world. She is of the view that she qualifies as a Qualified Valuator as outlined in Canadian Institute of Mining, Metallurgy and Petroleum (CIM) valuation committee (“CIMVAL”).

The following discussion is excerpted from the Evans & Evans report to the directors dated July 7, 2011 (the “Valuation Report”). A full copy of the Valuation Report has been filed and is available for download at [www.sedar.com](http://www.sedar.com). The following excerpted narratives are qualified in their entirety by the full contents of the publicly

filed Valuation Report. The Valuation Report relies to a large degree on the Company's Canadian National Instrument 43-101 (Disclosure Standards for Resource Projects) technical reports authored by Dr. Tania Marshall and Glenn Norton which are also publicly filed at [www.sedar.com](http://www.sedar.com).

### *Company Overview*

The Company has three existing operations, namely the Holpan Mine, Klipdam Mine and the Saxendrift Mine. Rockwell also has two development projects, the Wouterspan Mine and the Nieuwejaarskraal Mine. Rockwell is also at an advanced stage of completing the acquisition of an additional development property, the Tirisano Mine. Lastly, the Company has a pipeline of other projects with future development potential. The structure of the Company is outlined in the graphic below.



### *Definition of Fair Market Value*

In the Valuation Report, fair market value is defined as the highest price available in an open and unrestricted market between informed and prudent parties, acting at arms' length and under no compulsion to act, expressed in terms of cash. With respect to the market for the shares of a company viewed "en bloc" there are, in essence, as many "prices" for any business interest as there are purchasers and each purchaser for a particular "pool of assets", be it represented by overlying shares or the assets themselves, can likely pay a price unique to it because of its ability to utilize the assets in a manner peculiar to it.

In any open market transaction, a purchaser will review a potential acquisition in relation to what economies of scale (e.g., reduced or eliminated competition, ensured source of material supply or sales, cost savings arising on business combinations following acquisitions, and so on), or "synergies" that may result from such an acquisition.

Theoretically, each corporate purchaser can be presumed to be able to enjoy such economies of scale in differing degrees and therefore each purchaser could pay a different price for a particular pool of assets than can another purchaser. Based on the valuator's experience, it is only in negotiations with such a special purchaser that potential



synergies can be quantified and even then, the purchaser is generally in a better position to quantify the value of any special benefits than is the vendor.

In this engagement Evans & Evans was not able to expose the Company for sale in the open market and was therefore unable to determine the existence of any special interest purchasers who might be prepared to pay a price equal or greater than the fair market value (assuming the existence of special interest purchasers) outlined in the Valuation Report. As noted above, special interest purchasers might be prepared to pay a price higher than fair market value for the synergies noted above. The fair market value of the shares has been valued *en bloc*.

#### *Fair Market Value Methodologies*

In valuing an asset and/or a business, there is no single or specific mathematical formula. The particular approach and the factors to consider will vary in each case. Where there is evidence of open market transactions having occurred involving the shares, or operating assets, of a business interest, those transactions may often form the basis for establishing the value of the company. In the absence of open market transactions, the three basic, generally-accepted approaches for valuing a business interest are:

- (a) The Income / Cash Flow Approach;
- (b) The Market Approach; and
- (c) The Cost or Asset-Based Approach.

A summary of these generally-accepted valuation approaches is provided below.

The Income/Cash Flow Approach is a general way of determining a value indication of a business (or its underlying assets), using one or more methods wherein a value is determined by capitalizing or discounting anticipated future benefits. This approach contemplates the continuation of the operations, as if the business is a “going concern”. With regards to a company involved in exploration and development of a mineral property, or the valuation of a mineral property itself, the Income Approach generally relates to the current value of expected future income or cash flow arising from the potential development of a mineral project.

The Market Approach to valuation is a general way of determining a value indication of a business or an equity interest therein using one or more methods that compare the subject entity to similar businesses, business ownership interests and securities (investments) that have been sold. Examples of methods applied under this approach include, as appropriate: (a) the “Guideline Public Company Method”, (b) the “Merger and Acquisition Method”, and (c) analyses of prior transactions of ownership interests in the subject entity.

The Cost Approach is based upon the economic principle of substitution. This basic economic principle asserts that an informed, prudent purchaser will pay no more for an asset than the cost to obtain an opportunity of equal utility (that is, either purchase or construct a similar asset). From an economic perspective, a purchaser will consider the costs that they will avoid and use this as a basis for value. The Cost Approach typically includes a comprehensive and all-inclusive definition of the cost to recreate an asset. Typically the definition of cost includes the direct material, labor and overhead costs, indirect administrative costs, and all forms of obsolescence applicable to the asset. With regards to mineral properties, the Cost Approach involves a review of the historical exploration expenditures and their contribution to the current value of the mineral property. In certain cases a discount or premium to historical development costs may be utilized.

The Asset-Based Approach is adopted where either: (a) liquidation is contemplated because the business is not viable as an ongoing operation; (b) the nature of the business is such that asset values constitute the prime determinant of corporate worth (e.g., vacant land, a portfolio of real estate, marketable securities, or investment holding company, etc.); or (c) there are no indicated earnings/cash flows to be capitalized. If consideration of all relevant facts establishes that the Asset-Based Approach is applicable, the method to be employed will be either a going-concern scenario (“Adjusted Net Asset Method”) or a liquidation scenario (on either a forced or an orderly basis), depending on the facts.

The Multiple of Exploration Expenditures Method (“MEE Method”) is utilized to arrive at the fair market value of exploration and development stage properties. The MEE Method involves assigning a premium or discount to the relevant effective expenditure base (i.e., the sum of adjusted historical expenditures), represented by past expenditures, through application of a prospectivity enhancement multiplier (“PEM”). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a “grass roots” project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

As the starting point of any analysis, Evans & Evans reviews historical expenditures and makes certain adjustments for expenses related to property acquisition or expenses which do not enhance the prospectivity of a property. Thereafter Evans & Evans applies a PEM to the adjusted expenditures and added back acquisition costs to arrive at the fair market value.

Lastly, a combination of the above approaches may be necessary to consider the various elements that are often found within specialized companies and/or are associated with various forms of intellectual property.

*Specific Evans & Evans Assessments with Regards to the Rockwell Properties*

1. All of the Company’s technical reports have been authored by Dr. Tania Marshall and Glenn Norton. The Valuation Reports appear to be high quality documents with technically sound analysis. In its research Evans & Evans found the Qualified Person (“QP”) of these reports, Tania Marshall, is a world renowned diamond specialist, and is considered to be one of the best in Southern Africa.
2. The Company does have significant potential associated with it. Currently Rockwell is exploiting only three of the seven Rockwell Properties.
3. In 2011 the Company brought a diamond metallurgy expert on to assist in lowering costs and effect better planning of exploration and production. This must be considered positive.
4. Rockwell does have plans to more than double production per month in the next five years. There is no certainty the Company will have the cash flow required to implement its plans.
5. Rockwell currently has nominal long term debt. Therefore, as production increases and cash flow stabilizes Rockwell may have the ability to secure debt financing to better leverage the Company.
6. The average sales prices realized by the Company have been increasing over the past three quarters.
7. In reviewing the Saxendrift Technical Report, it appears the geology of the deposits is not complex and is well understood by the geologists. However the grade distribution is quite complex which is standard for the area. There appear to be nominal operational risks associated with the Saxendrift Mine.
8. The grade of Saxendrift is 1.01 carats per 100 cubic metres (ct/100m<sup>3</sup>), which is low, but standard for the area. Typical operations in this environment rely on large tonnage throughput to reduce the cost per tonne operating expenses.
9. The Niewejaarskraal Technical Report outlines that the cost associated with the legal repercussions of the destruction of any pivot irrigation farming areas on the lower terraces may render these deposits uneconomic. The area where these deposits are located has a semi-desert climate. The Orange River is a lifeline for farmers that pump water from it to irrigate large sections of their farms, in order to sustain crops that provide food to the local communities. A farmer will not give up his level ground next to the river without substantial compensation.
10. The Niewejaarskraal Mine has an average grade of 0.84 ct/100m<sup>3</sup> in the inferred resource calculations.
11. The Company is expected to generate synergies and economies of scale as the output from the Niewejaarskraal Mine will be processed at the plant located at the Saxendrift Mine. At a later stage, the concentrate from the Wouterspan Mine across the river from the Saxendrift Mine is expected to also be processed at the same plant.
12. Trial mining was initiated in 2009 and 2010 Saxendrift Mine and is expected to continue through 2011. Grades have generally been lower than previous years, reportedly due to the mining of the entire gravel column, at a

lower average grade. Reconciliation of mined grade to sample grade expectation has been demonstrated between May 2008 and October 2010. Overall, the grades have reconciled reasonably, however; between May 2010 and October 2010, there has been a trend toward mining grades being lower than samples would indicate.

13. There was a significant reduction in mineral resources during 2010 at the Klipdam / Holpan Mines due to the elimination of very sandy-gravels from the mineral resources. This was due to process plant modifications which would be necessary to process these gravels and it is currently unknown if these modifications will be undertaken.

14. The Wouterspan Mine relies heavily on inferred mineral resources to extend the mine life to 10 years.

15. The mineral resources identified at the Tirisano Mine are relatively large and have a relatively higher grade than the other Rockwell Properties. However, diamond values associated with this property are lower, with an average of approximately US\$600 / carat.

16. Across all of the projects, the deposits are low grade but the value per stone is relatively high, a common feature of alluvial diamond properties. This makes mineral resource estimation and mining particularly difficult. The key to a successful operation is to process the maximum tonnage at the lowest cost. Many companies have failed in the same and adjacent locations. Any interruption in the flow of material can have severe economic consequences for the operation. Rockwell's intent to consolidate the processing of material from various closely located operations is technically advisable.

17. For each of the properties which were considered, there are several important technical mining decisions that remain to be resolved before full scale mining can be contemplated. In most cases, detailed mining methods and process plant optimisation are still being examined. Although this indicates some uncertainty with regard to future profitability of these projects, it also reflects a concerted effort by Rockwell to properly optimize the processes. To this end, the trial mining and exploration programs outlined in the technical reports, as well as evaluation and upgrades to the processing facilities appear to be reasonable and will help further refine the appropriate mining strategies.

#### *Evan & Evans Overall Valuation Approach to Rockwell*

Given the nature and status of Rockwell's overall business operations at the Valuation Date as well as the approaches of valuation outlined above, it is the view of the authors of the Valuation Report that Rockwell should be valued based on a going concern approach. The going concern approach was chosen given: (1) Rockwell does have the cash available to undertake the short-term exploration expenditures as outlined by management; (2) the Company is in production; and, (3) a going concern approach results in a higher value than a liquidation approach.

Given the approaches to valuation outlined above, it is the view of the authors of the Valuation Report that the most appropriate methods in determining the range of the fair market value of Rockwell at the Valuation Date was a weighted approach giving consideration to two Market Approaches and an Asset Approach. In undertaking the Asset Approach, an Income Approach, namely the Discounted Cash Flow Method was used to determine the fair market value of the Rockwell Properties viewed independently.

The approaches utilized were:

1. a Market Approach – the Trading Price Method given Rockwell is a reporting issuer whose shares trade on the TSX;
2. a Market Approach – the Guideline Public Company Method which compares the Company to like companies whose shares may trade more actively; and,
3. an Asset Approach – the Adjusted Book Value Method which involves determining the fair market value of the Company's assets and liabilities and adjusting the balance sheet accordingly. In undertaking the Asset Approach Evans & Evans utilized the Discounted Cash Flow Method to determine the fair market value of the Company's development properties and operating mines.

In the above Rockwell valuation approaches Evans & Evans has relied heavily on information provided by the management of Rockwell, the various technical reports outlined in section 4.0 of the Valuation Report and data from industry participants and competitors as indicative in calculating the determination of the fair market value of Rockwell as at the Valuation Date.

Evans & Evans utilized an Income Approach (the Discounted Cash Flow Method) to determine the fair market value of the Properties. A discount rate is used to convert a future stream of cash flows into value, whereas a capitalization rate (equal to the discount rate minus the cash flow growth rate) is utilized to convert a single period's cash flow into value. When utilizing debt-free cash flow, the most appropriate discount rate is the Company's weighted average cost of capital ("WACC"), which provides an expected rate of return based on the Company's capital structure, the required yield on the Company's equity, and the required yield on interest-bearing debt. A capital structure of 20% debt and 80% equity was utilized for the Company. Applying these weightings results in WACCs of 22.36% to 23.96%.

*Valuation Methods Considered but Not Utilized*

Evans & Evans also attempted to use a variety of other valuation approaches. In this regard, Evans & Evans examined and considered the following approaches, but were unable to use any of them:

- (1) Income Approach. Given the Company is currently transitioning its production from certain mines to new mines with longer lives, it will be several years before the Company's earnings/cash flow will reach a sustainable level, accordingly this approach was deemed inappropriate.
- (2) Previous Valuations. Evans & Evans did review and consider the previous valuation of Rockwell but found it out-of-date.
- (3) Historical Transactions. In February and March of 2010, Rockwell raised approximately \$16.8 million through the issuance of shares and a rights offering to existing shareholders as outlined in the tables below. Given the length of time that had passed since the last financing, Evans & Evans did not deem the Historical Transaction Method appropriate for determining the current fair market value.

**Trading Price Method**

Evans & Evans used the Trading Price Method as one of its valuation methods for Rockwell given Rockwell's shares are listed for trading on the TSX as at the Valuation Date. In doing this, Evans & Evans found that the value of Rockwell was in the range of \$23,840,000 to \$26,080,000.

In arriving at the fair market value of Rockwell under the Trading Price Method, Evans & Evans considered the average trading price of Rockwell over the 10 and 90 days preceding the Valuation Date. An extended period of 90 days was selected as appropriate given the limited trading over the 30 days preceding the Valuation Date.

<b>90 Trading Days Preceding Valuation Date</b>		
	Pre-Consolidation	Adjusted for impact of 15 for 1 Consolidation*
Average Trading Price	\$ 0.050	\$ 0.75
Average Daily Trading Volume	448,883	29,926
Shares Outstanding as at the Valuation Date	524,888,530	34,992,569
Fair market Value (say)	\$ 26,400,000	\$ 26,400,000

**(iii) Valuation Discussion Related to the Specific Properties**

**1. Klipdam / Holpan Mine**

The Klipdam / Holpan Technical Report identified the following resources in compliance with National Instrument 43-101 (“NI 43-101”).

**Table 16.6: Resource statement for the Klipdam/Holpan mine as at 30 November 2010**

\* Volumes fully diluted of sampling and mining for the period 2008-Nov 2010 (Totals rounded off to reflect the

Description of Gravel Resource	Volume* of Gravel (m <sup>3</sup> ) at Indicated Classification	Volume* of Gravel (m <sup>3</sup> ) at Inferred Classification	Grade# (ct/100m <sup>3</sup> )	Value (USD/ct)
Holpan Fluvial-alluvial	517,800	527,000	0.95	1,229
Holpan Rooikoppie				
Klipdam Fluvial-alluvial	989,100	949,000	1.21	1,049
Klipdam Rooikoppie	1,102,100			
Erf 2004, Windsorton	404,700	127,000	0.63	986
<b>TOTAL</b>	<b>3,013,700</b>	<b>1,603,000</b>		

fact that it is an approximation.)

# Grade estimated with bottom cut-off stone size at 2mm

Evans & Evans utilized an Income Approach (the Discounted Cash Flow Method) to determine the fair market value of the Klipdam Mine. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 22.36% to 24.96%. The reader should also note that cash flows include the capital expenditures required to begin and maintain operations. In addition, given the 1 year estimated life of the Klipdam Mine (given identified resources as at the Valuation Date) and the timeframe of the financial projections (i.e., 1 year) the authors of the Valuation Report assumed no terminal value. The fair market value of 100% of the Klipdam Mine was determined to be in the range of \$4.88 million to \$4.91 million.

Evans & Evans utilized an Income Approach (the Discounted Cash Flow Method) to determine the fair market value of the Holpan Mine. The discount rates used in this analysis were based on a build-out method, which considers the relevant financial and business risks of Rockwell and then adds an asset specific risk for the Holpan Mine. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 22.36% to 24.96%. The reader should also note that cash flows include the capital expenditures required to begin and maintain operations. In addition, given the 1 year estimated life of the Holpan Mine (given identified resources as at the Valuation Date) and the timeframe of the financial projections (i.e., 1 year) the authors of the Valuation Report assumed no terminal value. The fair market value of 100% of the Holpan Mine was determined to be in the range of \$380,000.

## 2. Saxendrift Mine

The Klipdam / Holpan Technical Report identified the following resources in compliance with National Instrument 43-101 (“NI 43-101”).

**Table 16.3: Resource Statement for Saxendrift at 30 November, 2010**

MINING AREA	RESOURCE CLASSIFICATION	VOLUME (m <sup>3</sup> )	GRADE* (ct/100m <sup>3</sup> )	Value# (USD/ct)
Terrace A	Indicated	4,859,900	0.50	2,029
Terrace B	Indicated	1,774,600	1.15	
<b>Total/Average Saxendrift Mine Indicated</b>		<b>6,634,500</b>	<b>0.66</b>	<b>2,029</b>
Terrace A	Inferred	5,400,000	0.50	2,029
Terrace B	Inferred	86,000	0.68	
Kwartelspan prospect	Inferred	500,000	1.00	
<b>Total/Average Saxendrift Inferred</b>		<b>5,986,000</b>	<b>0.56</b>	<b>2,029</b>

\* At 2mm cut-off

- Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Evans & Evans utilized an Income Approach (the Discounted Cash Flow Method) to determine the fair market value of the Saxendrift Mine. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 22.36% to 24.96%. The reader should also note that cash flows include the capital expenditures required to begin and maintain operations. In addition, given the 4 year estimated life of the Saxendrift Mine (given identified resources as at the Valuation Date) and the timeframe of the financial projections (i.e., 4 years) the authors of the Valuation Report assumed no terminal value. The fair market value of 100% of the Saxendrift Mine was determined to be in the range of \$21.0 million to \$21.7 million.

## 3. Tirisano Mine

The Tirisano Technical Report identified the following resources in compliance with NI 43-101. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 25.36% to 28.96%. The reader should also note that cash flows include the capital expenditures required to begin and maintain operations. In addition, given the 14 year estimated life of the Tirisano Mine (given identified resources as at the Valuation Date) and the timeframe of the financial projections (i.e., 12 years) the authors of the Valuation Report assumed no terminal value. The fair market value of 100% of the Tirisano Mine was determined to be in the range of \$24.1 million to \$26.5 million.

**Table 16.1: Resource statement as at 30 November 2010**

	Indicated Resource volumes (m <sup>3</sup> )	Inferred Resource volumes (m <sup>3</sup> )	Grade (ct/100m <sup>3</sup> )	Value (USD/ct)
Upper Gravel Package	16,109,000	8,613,000	1.77	606
Lower Gravel Package	11,801,500	6,744,000	2.85	606
Depleted by end-2008	-2,630,600	-23,000		
<b>TOTAL</b>	<b>25,279,900</b>	<b>15,334,000</b>	<b>2.37</b>	<b>606</b>

#### 4. Niewejaarskaal Mine

The Niewejaarskraal Technical Report identified the following resources in compliance with NI 43-101.

**Table 16.3 Inferred Resources on Niewejaarskraal Project (as at 30 November 2010)**

MINING AREA	GRAVEL TYPE	Volume (m <sup>3</sup> )	Grade (ct/100m <sup>3</sup> )	Value* (USD/ct)
Terrace A	Fluvial-alluvial Rooikoppie	11,831,000	0.84	2,029
		1,840,000		
Terrace B	Fluvial-alluvial Rooikoppie	5,990,000	0.84	2,029
		969,000		
<b>Total</b>		<b>20,630,000</b>	<b>0.84</b>	<b>2,029</b>

\* Sales value from Saxendrift mine

# At 2mm cut-off

Evans & Evans utilized an Income Approach (the Discounted Cash Flow Method) to determine the fair market value of the Niewejaaskraal Mine. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 25.36% to 28.96%. The reader should also note that cash flows include the capital expenditures required to begin and maintain operations. In addition, given the 5 year estimated life of the Niewejaaskraal Mine (given identified resources as at the Valuation Date) and the timeframe of the financial projections (i.e., 5 years) the authors of the Valuation Report assumed no terminal value. The fair market value of 100% of the Niewejaaskraal Mine was determined to be in the range of \$50.5 million to \$57.41 million.

#### 5. Wouterspan Mine

The Wouterspan Technical Report identified the following resources in compliance with NI 43-101.

**Table 16.3 Resource statement as at 30 November 2010**

	Inferred Resources <sup>!</sup>	Indicated Resources	Ave Grade (ct/100m <sup>3</sup> )*	Ave Value (USD/ct)
Rooikoppie	5,911,000	714,400	0.70	2,029
Fluvial-alluvial	31,863,000	4,311,100		
<b>TOTAL</b>	<b>37,774,000</b>	<b>5,025,500</b>	<b>0.70</b>	<b>2,029</b>

\* At a bottom cut-off of 2mm (based on the average grade of the total sample mined to date)

! Inferred Resources do not include Indicated resources ("Total" figure rounded off)

Evans & Evans utilized an Income Approach (the Discounted Cash Flow Method) to determine the fair market value of the Niewejaaskraal Mine. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 25.36% to 28.96%. In assessing discount rates to the operating cash flows, Evans & Evans selected discount rates in the range of 25.36% to 28.96%. The fair market value of 100% of the Wouterspan Mine was determined to be in the range of \$64.1 million to \$74.1 million

#### *(iv) Valuation Conclusions*

Based on the approaches outlined in (with care to the qualitative analysis conducted) used to determine the fair market value of Rockwell, the authors of the Valuation Report deemed it appropriate to apply a weighting to the three valuation methods. This was done in order to consider the limited liquidity in the Company's stock, the comparison with other diamond producers and the potential associated with the mines expected to go into production in the short term.

The low end of the range of fair market value of Rockwell was determined to be \$62.0 million. In arriving at the low end of the range, Evans & Evans deemed it appropriate to rely more heavily on the trading price method and the GPC Method as they reflect how investors are currently valuing Rockwell and similar diamond producers. The Adjusted Book Value Method was given less weighting in the low end of the valuation range given the risk associated with securing the funding necessary to achieve the forward looking results and given the majority of the future value is from mines not currently in production.

Valuation Method	Midpoint - Fair Market V	Weighting	
Trading Price Method	\$25,280,000	40.0%	\$10,112,000
Guideline Public Company Method - EV / Resources	\$15,800,000	30.0%	\$4,740,000
Adjusted Book Value Method	\$157,250,000	30.0%	\$47,175,000
			<b>\$62,000,000</b>

The high end of the range of fair market value of Rockwell was determined to be \$69.1 million. In arriving at the high end of the range, Evans & Evans placed more reliance on the Adjusted Book Value Method as it captures more of the potential associated with the Rockwell Properties the Company has not yet begun to exploit. Less weighting was placed on the Trading Price Method as the Company's stock is not highly liquid and trading price can be impacted by transient booms and busts in the market.

Valuation Method	Midpoint - Fair Market V	Weighting	
Trading Price Method	\$25,280,000	40.0%	\$10,112,000
Guideline Public Company Method - EV / Resources	\$15,800,000	25.0%	\$3,950,000
Adjusted Book Value Method	\$157,250,000	35.0%	\$55,037,500
			<b>\$69,100,000</b>

*(v) Directors Analysis*

The directors of the Company, after reviewing the Valuation Report, are of the view that \$0.75 per Common Share is a reasonable price for the Common Shares notwithstanding that a case can be made that the value of the Company's diamond properties suggest that value of nearly \$2.00 per share can be justified. The valuation report describes an analysis of the Company's properties and operations that yields a value of the Company in the \$62 to \$69 million range. However the valuation is premised to a significant degree on strengthening diamond prices. The directors appreciate that there is significant risk in the world economy and that increasing diamond prices are not assured. The valuation requires that production of diamonds be increased of which there is no certainty as that is capital availability dependent. Accordingly notwithstanding the higher Common Share price than can be justified the directors have determined that \$0.75 is a fair price for the Daboll Subscription in light of the risks inherent in the Company's properties, the fact that the Common Shares are subject to a resale restricted period of four months, the facts of the risk factors which the Company faces and the fact that many other investors were offered Common Shares at the same price and declined.

**ADDITIONAL INFORMATION**

The audited consolidated financial statements of the Company for the year ended February 28, 2011, the Valuation Report of the auditor thereon and the management discussion and analysis will be placed before the Meeting.

Additional information and a copy of the financial statements may be obtained from [www.sedar.com](http://www.sedar.com) and upon request from the Company at 15<sup>th</sup> Floor, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H8, telephone number: 604-684-6365 or fax number 604-684-8092.



**OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Circular.

The contents of this Circular and its distribution to shareholders have been approved by the Board.

**DATED** at Vancouver, British Columbia, August 10<sup>th</sup>, 2011.

**BY ORDER OF THE BOARD**

*“James Andrew Hartley Campbell”*

**James Andrew Hartley Campbell  
President and Chief Executive Officer**