Rockwell Diamonds Inc.

Consolidated Financial Statements
for the years ended 28 February 2015 and 28 February 2014

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The reports and statements set out below comprise the consolidated financial statements:

Management's Responsibilities and Approval

The consolidated financial statements, the notes thereto and other financial information contained in the Annual Report have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Rockwell Diamonds Inc. ("Company"). The financial information presented elsewhere in the Annual Report is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgement of management.

In order to discharge management's responsibility for the integrity of the consolidated financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorisation, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The board of directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The audit committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the audit committee to discuss the scope of their audits, the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG Inc, the independent registered public accounting firm, in accordance with Canadian Auditing Standards.

The consolidated financial statements set out on pages 4 to 58 were approved by the board on 28 May 2015 and were signed on its behalf by:

James Campbell	**Dr Mark Bristow**
Director	**Director**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rockwell Diamonds Inc.

We have audited the accompanying consolidated financial statements of Rockwell Diamonds Inc., which comprise the consolidated statements of financial position as at 28 February 2015 and 28 February 2014, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rockwell Diamonds Inc. as at 28 February 2015 and 28 February 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Inc.

KPMG Inc.
Registered Auditors

Johannesburg, South Africa
28 May 2015

Consolidated Statements of Financial Position

Amounts in Canadian Dollars ('000)	Note(s)	As at 28 February 2015	As at 28 February 2014
Assets			
Non-current assets			
Mineral property interests	2	16 518	26 642
Investment in associates	3	396	233
Property, plant and equipment	4	27 001	30 719
Investments and deposits	5	1 502	5 386
Rehabilitation deposits	15	3 376	1 701
Total non-current assets		**48 793**	**64 681**
Current assets			
Inventories	6	2 177	4 608
Loans to related parties	16	8	186
Current tax receivable		37	36
Trade and other receivables	7	4 889	8 501
Cash and cash equivalents	8	576	1 325
Assets held for sale	9	13 525	-
Total current assets		**21 212**	**14 656**
Total assets		**70 005**	**79 337**
Equity and liabilities			
Equity			
Share capital	10	147 435	147 073
Reserves		(8 575)	(10 009)
Retained loss		(102 076)	(88 096)
Total equity attributable to the equity holders of the Group		36 784	48 968
Non-controlling interest	36	(2 369)	(1 737)
Total equity		**34 415**	**47 231**
Liabilities			
Non-current liabilities			
Loans and borrowings	12	3 844	3 241
Finance lease obligation	13	1 276	110
Deferred tax	14	2 995	5 926
Rehabilitation obligation	15	5 987	6 459
Total non-current liabilities		**14 102**	**15 736**
Current liabilities			
Loans from related parties	16	162	4
Loans and borrowings	12	2 296	1 954
Finance lease obligation	13	708	165
Trade and other payables	17	10 902	11 162
Bank overdraft	8	-	3 085
Liabilities held for sale	9	7 420	-
Total current liabilities		**21 488**	**16 370**
Total liabilities		**35 590**	**32 106**
Total equity and liabilities		**70 005**	**79 337**

Consolidated Statements of Financial Performance

Amounts in Canadian Dollars ('000)	Note(s)	For the year ended 28 February 2015	For the year ended 28 February 2014
Sale of diamonds	21	56 948	41 107
Beneficiation income	21	11 050	4 063
Cost of sales before amortisation and depreciation	22	(68 827)	(39 200)
Gross (loss) profit before amortization and depreciation		**(829)**	**5 970**
Amortization of mineral property interests	2	(793)	(928)
Depreciation of property, plant and equipment	4	(6 273)	(5 009)
Rehabilitation obligation recognized		(993)	(743)
Gross loss		**(8 888)**	**(710)**
Other income		1 619	1 703
General, administration and business development expenses		(5 895)	(4 440)
Realized foreign exchange with sale of subsidiary	28	-	(6 609)
Impairments	2,4,7	(3 643)	(55)
Loss before net finance costs	23	**(16 807)**	**(10 111)**
Finance income	24	449	699
Finance costs	25	(1 308)	(1 137)
Loss after net finance costs		**(17 666)**	**(10 549)**
Share of profit from equity accounted investments	3	149	59
Loss before taxation		**(17 517)**	**(10 490)**
Taxation	26	2 991	63
Loss for the year		**(14 526)**	**(10 427)**
(Loss) profit attributable to :			
Owners of the parent		(13 980)	(10 618)
Non-controlling interest	36	(546)	191
		(14 526)	**(10 427)**
Loss per share			
Basic and diluted loss per share (cents)	27	(25.89)	(21.30)

Consolidated Statements of Comprehensive Income

Amounts in Canadian Dollars ('000)	Note(s)	For the year ended 28 February 2015	For the year ended 28 February 2014
Loss for the year		**(14 526)**	**(10 427)**
Other comprehensive income net of taxation			
Items that are or may be reclassified to profit or loss			
Exchange differences on translating foreign operations		1 108	(5 160)
Reversal of realized foreign exchange with sale of subsidiary	28	-	6 609
Other comprehensive income for the year net of taxation		**1 108**	**1 449**
Total comprehensive loss		**(13 418)**	**(8 978)**
Total comprehensive income attributable to:			
Owners of the Group		(12 786)	(9 378)
Non-controlling interest	36	(632)	400
Total comprehensive income for the year		**(13 418)**	**(8 978)**

Consolidated Statements of Changes in Equity

Amounts in Canadian Dollars ('000)	Share capital	Foreign currency translation reserve *	Share-based payment reserve **	Total net reserves	Retained loss	Total equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 01 March 2013	**146 862**	**(20 039)**	**8 164**	**(11 875)**	**(77 478)**	**57 509**	**(2 137)**	**55 372**
Total comprehensive income for the year								
(Loss) profit for the year	-	-	-	-	(10 618)	(10 618)	191	(10 427)
Other comprehensive income	-	1 240	-	1 240	-	1 240	209	1 449
Total comprehensive income for the year	-	1 240	-	1 240	(10 618)	(9 378)	400	(8 978)
Share-based payment expense	-	-	626	626	-	626	-	626
Shares issued to employees (note 11)	205	-	-	-	-	205	-	205
Shares issued to consultants (note 11)	29	-	-	-	-	29	-	29
Share issue costs	(23)	-	-	-	-	(23)	-	(23)
Total changes	211	1 240	626	1 866	(10 618)	(8 541)	400	(8 141)
Balance at 28 February 2014	**147 073**	**(18 799)**	**8 790**	**(10 009)**	**(88 096)**	**48 968**	**(1 737)**	**47 231**
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(13 980)	(13 980)	(546)	(14 526)
Other comprehensive income	-	1 194	-	1 194	-	1 194	(86)	1 108
Total comprehensive income for the year	-	1 194	-	1 194	(13 980)	(12 786)	(632)	(13 418)
Share-based payment expense	-	-	240	240	-	240	-	240
Share options excercised	16	-	-	-	-	16	-	16
Shares issued to employees (note 11)	347	-	-	-	-	347	-	347
Share issue costs	(1)	-	-	-	-	(1)	-	(1)
Total changes	362	1 194	240	1 434	(13 980)	(12 184)	(632)	(12 816)
Balance at 28 February 2015	**147 435**	**(17 605)**	**9 030**	**(8 575)**	**(102 076)**	**36 784**	**(2 369)**	**34 415**
Note(s)	10		11				36	

* Currency translation differences arising on the conversion of the results and financial position of foreign operations from their functional currency to the Company's presentation currency are accumulated in the foreign currency translation reserve.

** Equity settled share-based payment transactions are accumulated in the share-based payment reserve.

Consolidated Statements of Cash Flows

Amounts in Canadian Dollars ('000)	Note(s)	For the year ended 28 February 2015	For the year ended 28 February 2014
Cash flows from operating activities			
Cash receipts from customers		68 301	41 999
Cash paid to suppliers and employees		(67 644)	(39 329)
Cash generated from operations	19	657	2 670
Finance income		263	373
Finance costs		(469)	(484)
Net cash inflow from operating activities		**451**	**2 559**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(4 070)	(8 707)
Proceeds from sale of property, plant and equipment		367	975
Purchase of mineral property interests	2	(663)	(199)
Sale of mineral property interests	2	-	2 098
Proceeds from sale of subsidiary	18	-	1 679
Movement in related party loans		328	(143)
Movement in investments and deposits		2 575	(2 383)
Increase in rehabilitation deposits		(1 623)	(65)
Net cash outflow from investing activities		**(3 086)**	**(6 745)**
Cash flows from financing activities			
Proceeds on share issue		16	-
Share issue costs	10	(1)	(23)
Proceeds from (repayment of) loans and borrowings		4 126	(10)
Proceeds from (repayment of) finance lease obligations		1 606	(272)
Net cash inflow (outflow) from financing activities		**5 747**	**(305)**
Net movement in cash and cash equivalents for the year		**3 112**	**(4 491)**
Cash and cash equivalents at the beginning of the year		(1 760)	2 731
Cash and cash equivalents included in assets held for sale	9	(776)	-
Total cash and cash equivalents at end of the year	8	**576**	**(1 760)**

Accounting Policies

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

1.1 Nature of operations

Rockwell Diamonds Inc. (“Rockwell” or the “Company”) is engaged in the business of diamond production and the acquisition and exploration of natural resource properties. The consolidated financial statements of the Company as at and for the years ended 28 February 2015 and 28 February 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates. The Group’s mineral property interests are located in South Africa. Rockwell is incorporated in Canada under the British Columbia Business Corporations Act. Rockwell is primarily listed on the Toronto Stock Exchange (TSX) with a secondary listing on the Johannesburg Stock Exchange (JSE).

1.2 Continuance of operations

The Group incurred a loss of $14.5 million (2014: $10.4 million) for the year ended 28 February, 2015. As of this date its current liabilities exceed its current assets by $0.3 million (2014: $1.7 million). Management has considered the ability of the Group to continue as a going concern and note there to be a number of material transactions on which there is uncertainty and which may have an impact on the going concern assumption. These uncertainties could be summarized as follows:

- On 5 January 2015 the Company signed an agreement to acquire certain assets of Bondeo 140 cc (“Steyn transaction”) for $29.0 million (ZAR284 million) (subsequently amended on 12 May 2015 to $21.9 million ((ZAR214.95 million)), intended to replace the Company’s Saxendrift mine, which is expected to be commercially depleted by August 2015. At the date of signature of the financial statements, approvals and bridging finance had been secured to fund the Steyn transaction. With all conditions precedent met at the date of signing the financial statements it is envisaged that the Group will take control of the operations on 1 June 2015;

- The bridging finance referred to above will require refinancing by the end of August 2015. The Company intends refinancing this through capital markets. Should the Company be unable to refinance, current arrangements provide for repayment through (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid;

- The Company is negotiating financing of the moveable plant acquired through the Steyn transaction to the value of $4.1 million (ZAR40 million); and

- The Group has an overdraft facility of $2.9 million (ZAR27 million) with Standard Bank which expires at the end of May 2015. It is envisaged that this will be renewed with its current terms, but this has not yet been confirmed.

Based on the assumptions that such aggregate financing will become or remain available, the directors believe that the going concern assumption is an appropriate basis for the preparation of these financial statements. Should the going concern assumption not be appropriate, adjustments would have to be made to reduce the value of the Group's assets to their realizable values.

1.3. Basis of preparation

1.3.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

1.3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except where otherwise stated, as set out in the accounting policies below.

1.3.3 Presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except as otherwise indicated.

Accounting Policies

1.3 Basis of preparation (continued)

1.3.4 Use of estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2 – Mineral property interests
- Note 4 – Property, plant and equipment
- Note 6 – Inventories
- Note 11 – Share-based payments
- Note 14 – Deferred tax
- Note 15 – Rehabilitation obligation

1.4 Significant accounting policies

The accounting policies set out below are applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Group entities.

1.4.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Consideration transferred is calculated as the sum of the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree is recognized in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred, unless it is debt related. Directly attributable transaction costs related to debt instruments are capitalized.

If the Group obtains control over one or more entities that are not businesses, then the bringing together of those entities are not business combinations. The cost of acquisition is allocated among the individual identifiable assets and liabilities of such entities, based on their relative fair values at the date of acquisition. Such transactions do not give rise to goodwill.

Non-controlling interests in the proportionate net assets of consolidated subsidiaries are identified and recognized separately from the Group's interest therein, and are recognized within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interests even if this results in a debit balance being recognized for non-controlling interests.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

Accounting Policies

1.4.1 Basis of consolidation (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the carrying amounts of the acquiree's identifiable net assets at fair value at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and Other Comprehensive Income ("OCI") of equity-accounted investees, until the date on which significant influence ceases.

1.4.2 Mineral property interests

The acquisitions of mineral property interests are initially measured at the fair value of the consideration paid. Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Group are capitalized until the property is placed into production, sold, abandoned, or when management has determined that there has been an impairment in value. Such acquisition costs are amortized over the estimated life of the mine, based on the unit of production method, or written off to operations if the property is abandoned, allowed to lapse, or if there is little prospect of further work being carried out by the Group. Under the unit of production method, the yearly depreciation charge is calculated by dividing the actual resources mined by the estimated resources at the beginning of the year and then multiplying the resulting fraction by the net carrying value of the related assets. The unit of production method results in a systematic and rational allocation of the cost of the mineral property interests over the period the resources are utilised.

Exploration expenditure incurred subsequent to the mining operations which do not increase production or extend the life of operations are expensed in the period incurred.

The amount presented for mineral property interests represents costs incurred to date less accumulated amortization and impairment losses, and does not necessarily reflect present or future values.

1.4.3 Exploration and evaluation costs

Exploration and evaluation expenditures relate to cost incurred on the exploration for and evaluation of potential mineral resources and includes costs relating to the following:

- acquisition of exploration rights;
- conducting geological studies;
- exploratory drilling and sampling; and
- evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Expenditures incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

Accounting Policies

1.4.3 Exploration and evaluation costs (continued)

Expenditures towards in-house exploration for and evaluation of potential mineral resources for each area of interest are expensed until it is considered probable that future economic benefit will arise through further exploration and subsequent development of the area of interest. Pre-feasibility studies involve the review of one or more potential development options with the aim of moving forward to the more detailed feasibility study stage. Expenditures related to such studies are expensed in full as there is insufficient certainty that future economic benefit will be generated at this stage of a project.

Expenditures relating to preliminary assessments which support the technical feasibility and commercial viability of an area are capitalised at cost under mineral property interests. Where preliminary assessments reach a favourable conclusion, the costs are depleted over the unit of production method as described in 1.4.2. Where the preliminary assessments reach an adverse conclusion, any previously capitalised costs are written off.

1.4.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to and replace part of it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of them can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Consistent with the prior year, the useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	12 years
Plant and machinery	4 - 10 years
Motor vehicles	5 years
Office equipment	6 years

Assets under construction are not depreciated until it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated.

The residual value, useful life and depreciation method of each asset is reviewed annually. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4.5 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

1.4.6 Financial instruments

Initial recognition and measurement

Financial instruments are recognized initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognized in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being recognized in profit or loss for the period.

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses. Loans and receivables include loans to related parties, trade and other receivables, deposits and cash and cash equivalents.

Available-for-sale financial assets are subsequently measured at fair value.

Financial liabilities are subsequently measured at amortized cost, using the effective interest method. Financial liabilities include loans from related parties, trade and other payables, loans and borrowings and bank overdraft.

Accounting Policies

1.4.6 Financial instruments (continued)

Investments

The Group classified its investments into the following categories: fair value through profit or loss, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were required. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. Investments with a fixed maturity that management has the intention and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the reporting date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Fair value through profit or loss and available-for-sale investments are subsequently measured at fair value. The fair value of investments is based on cash value or amounts derived from cash flow models. Equity securities for which fair value cannot be measured reliably are recognized at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss and other comprehensive income as gains or losses from investment securities. Held-to-maturity investments are measured at amortized cost using the effective yield method.

Derecognition

The Group derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction of equity, net of any tax effects.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the statements of cash flows, cash and cash equivalents includes bank overdrafts.

Accounting Policies

1.4.6 Financial instruments (continued)

Impairment of financial assets

At each reporting date the Group assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the financial asset might be impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Reversals of impairment losses are recognized in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

1.4.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as a tax receivable.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all taxable temporary differences between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes and any tax losses. No deferred tax is provided on temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition; and
- Investments in subsidiaries and associates to the extent that the Group is able to control the timing and reversal and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured using enacted or substantively enacted rates at the reporting date that are expected to apply when the asset is realized or the liability is settled. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset could be realized.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Tax expenses

Current and deferred taxes are recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognized, in the same or a different period, in other comprehensive income which is then recognized in other comprehensive income, or
- a business combination.

Current tax and deferred taxes are recognized directly in equity if the tax relates to items that are recognized, in the same or a different period, directly in equity.

1.4.8 Inventories

Rough diamond inventories are valued at the lower of average production cost and net realizable value. Production costs include the cost of consumable materials, direct labour, mine-site overhead expenses, depreciation and amortization. Work in progress stock piles consist of ground excavated, but not yet fully processed at reporting date. The value of these stock piles represents management's best estimate of the costs incurred to excavate and screen the ground as identified by an independent surveyor at reporting date.

Mine supplies are valued at the lower of cost, at the weighted average cost basis, and net realizable value.

Cost of items that are not ordinarily interchangeable, and goods and services produced and segregated for specific projects, are assigned by using a specific identification of their individual costs.

Previous write-downs are reversed to the lower of cost and net realizable value when there is a subsequent increase in the value of inventories.

1.4.9 Assets held-for-sale

Non-current assets, or disposal groups comprising asset and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Such assets, or disposal groups are generally measured at lower of their carrying amount and fair value less cost to sell. Any impairment loss on disposal group is allocated first to mineral property, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group’s other accounting policies. Impairment losses on initial application as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment, are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

1.4.10 Share-based payments

The fair value of share-based payment awards granted to employees is recognized on the grant date as an employee cost, with a corresponding increase in reserves, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Group’s historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on Canadian government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

1.4.11 Rehabilitation obligation

Estimated rehabilitation costs, which are based on the Group’s interpretation of current environmental and regulatory requirements, represent the present value of the expected future costs to rehabilitate the mine properties at termination of mining operations. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Provision is made for the Group’s legal and constructive obligations to dismantle, remove and restore items of property, plant and equipment and remediation of disturbed areas in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date. The provision is discounted using a market-based pre-tax discount rate and the unwinding of the discount is included in finance cost.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation provision.

Accounting Policies

1.4.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the Group.

Finance leases

Assets held by the Group under finance leases are recognized in the consolidated statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset. Assets held under operating leases are not recognized in the Group's statement of financial position.

Any contingent rents are expensed in the period they are incurred.

1.4.13 Revenue

Revenue arising from the sale of diamonds is recognized when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the sale transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the sale transaction can be measured reliably.

Beneficiation revenue is recognized on the date that Diacore notifies the Group of the successful sale of the cut and polished diamonds to third parties, this being 50% of the added value.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of value added tax.

1.4.14 Finance income and finance cost

Finance income comprises interest on funds invested and fair value gains on financial assets at fair value through profit or loss. Finance income is recognized, in profit or loss, using the effective interest method.

Finance cost comprises interest expense on borrowings, unwinding of discount on provisions and fair value losses on financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

1.4.15 Earnings per share

The Group presents basic and diluted earnings / loss per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares, which comprise share options granted to employees.

Accounting Policies

1.4.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial periods are recognized in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Canadian dollars by applying to the foreign currency amount the exchange rate between the Canadian dollars and the foreign currency at the date of the cash flow.

Foreign operations

For consolidation purposes the results and financial position of a foreign operation are translated into the presentation currency using the following procedures:

- Assets and liabilities are translated at the closing rate at the date of that consolidated statements of financial position;
- Equity components are translated at historical rates;
- Income and expenses are translated at exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity. When a foreign investment is disposed, the cumulative exchange differences previously recognized in other comprehensive income are transferred to profit or loss.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognized initially in other comprehensive income and accumulated in the foreign translation reserve. They are recognized in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.4.17 Segmental reporting

Segmental results that are reported to the chief operating decision-maker, or decision-making group, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group’s headquarters), head office expenses, and tax assets and liabilities.

1.4.18 Employee benefits

Short-term employee benefits

Short term employee benefits are expenses as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The obligation for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employee services provided to the reporting date. Short-term benefits are undiscounted.

The expected cost of bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.5. Standards, interpretations and amendments to published standards effective for the year ended 28 February 2015

During the financial year, the following new and revised accounting standards, amendments to standards and new interpretations were adopted by the Group:

Standard(s) Amendment(s) Interpretation(s)	Details of amendment	Impact on financial position or performance
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	No impact
IAS 36 (Amendment)	Impairment of Assets	No impact *
IFRIC 21 (New Interpretation)	Levies	No impact
Various IFRS's	Annual improvements project is a collection of amendments to IFRS and are the result of conclusions reached by the IASB on proposals made at its annual improvements project.	No impact

* IAS 36 amendment has no impact on the amounts recognized in the financial statements, however it requires additional disclosure.

1.6 Standards, interpretations and amendments to published standards which are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that apply to the Group's accounting periods beginning on 1 January 2015 or later periods but have not been early adopted by the Group. Management is currently reviewing the impact of these standards on the Group.

These standards, amendments and interpretations are:

Standard(s) Amendment(s) Interpretation(s)	Details of amendment	Effective date #
Amendments to 6 standards	Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Amendments to 4 standards	Improvements to IFRSs 2011-2013 Cycle	1 July 2014
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to 4 standards	Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 10, IFRS 12 and IAS 27	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 1	Disclosure Initiative	1 January 2016

Effective date refers to annual period beginning on or after said date.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

2. Mineral property interests

	As at 28 February 2015			As at 28 February 2014		
	Cost	**Accumulated amortization and impairment losses**	**Carrying value**	**Cost**	**Accumulated amortization and impairment losses**	**Carrying value**
Mineral property interests	20 406	(3 888)	16 518	30 171	(3 529)	26 642

Reconciliation of mineral property interests - 28 February 2015

	Opening balance	**Additions**	**Tranfer to assets held for sale (note 9)**	**Foreign exchange movements**	**Amortization**	**Impairments**	**Closing balance**
Mineral property interests	26 642	663	(8 000)	582	(793)	(2 576)	16 518

Fiscal 2015 impairments

Tirisano	2 576

Amounts in Canadian Dollars ('000)

2. Mineral property interests (continued)

Reconciliation of mineral property interests - 28 February 2014

	Opening balance	Additions	Disposals	Foreign exchange movements	Amortization	Closing balance
Mineral property interests	31 405	199	(1 617)	(2 417)	(928)	26 642

Fiscal 2014 disposals	
Klipdam (note 17)	1
Holsloot and Farhom	1 616
	1 617

2. Mineral property interests (continued)

The Group's mineral property interests consist of the following:

Wouterspan (including Okapi and Kanonloop)

The Wouterspan property is located in the Herbert district of the Northern Cape Province of South Africa approximately 145km southwest of Kimberley. The operation is located on the farm Lanyonvale (various portions), Okapi and Kanonloop, with an aggregate area of 2,579.8ha.

The operation has not been operational since December 2008. The carrying value of this mineral property is $12.9 million. The carrying value was included in the assessment of the value in use calculation for the Wouterspan Mine (refer note 4).

Holpan/Klipdam

The Klipdam mineral property was sold in Q1 of fiscal 2014, refer to note 18 for additional information.

Saxendrift

The 5,142 hectare Saxendrift mine property is located on the south bank of the Middle Orange River, and adjacent to the Wouterspan property and is currently being mined. Carrying value of this mineral property at 28 February 2015 amounted to $2.2 million (2014: $2.5 million) and was included in the value in use calculation for the Saxendrift mine (refer note 4).

Niewejaarskraal

Niewejaarskraal is located in the Hay district of the Northern Cape Province of South Africa approximately 124km southwest of Kimberley. The operations are located on Niewejaarskraal 40 and Viegulands Put 39 (total of 3,085.695ha) and was actively mined during the year with a decision taken at year-end to suspend operations pending a review of the geological resource and processing capabilities of this operation. Carrying value of this mineral property at 28 February 2015 amounted to $1.1 million (2014: $0.4 million) and was included in the value in use calculation for the Niewejaarskraal mine (refer note 4).

Windsorton Erf 2004

This is a prospecting property covering an area of 1,146 ha, and is adjacent to the Klipdam mine. The Windsorton Erf 2004 mineral right was sold in Q1 of fiscal 2014 as part of the Klipdam sale.

2. Mineral property interests (continued)

Tirisano

The Tirisano mine, totalling 10,805.57 hectares is located some 35 kilometres due north of Ventersdorp, in the North West Province and approximately 150 kilometres west of Johannesburg. Operations at Tirisano mine were placed on care and maintenance in December 2012. Rockwell announced on 30 March 2015 that it had sold its 100% interest in Etruscan Diamonds Proprietary Limited, which held a 74% investment in Blue Gum Diamonds Proprietary Limited, for a total of ZAR60 million ($6.4Million). The Tirisano mineral property was held in Blue Gum Diamonds Proprietray Limited. In line with its accounting policy the Company considered the fair value less cost to sell of the Tirisano net assets and liabilities forming part of the disposal, and allocated a shortfall of $2.6 million as an impairment to the mineral properties of Tirisano. Furthermore, management concluded that the investment in Etruscan Diamonds Proprietary Limited was an asset held-for-sale as at 28 February 2015, and it is disclosed as such (refer note 9). This impairment reduced the value of the Tirisano net assets and liabilities to its recoverable amount of $6.4 million via the sale.

Jasper

The Jasper Mining property, consisting of Portion 1 of the farm Brakfontein No. 276, is contiguous to Rockwell’s Saxendrift Mine and is actively being mined at the Saxendrift operations. Carrying value of this mineral property at 28 February 2015 amounted to $0.4 million (2014: $0.6 million).

Mooidraai and Thorngrove

Mineral property interest relating to Holsloot and Farhom was sold during fiscal 2014 through the transfer of the mineral right at an amount of $2.1 million. A profit of $0.4 million was realized on the disposal.

Estimates and judgements

Carats available at the mineral property interests (excluding Jasper) have been estimated by a qualified geologist employed by the Group and were reviewed by an independent qualified geologist. These resource estimates include inferred resources which have a great amount of uncertainty as to their existence, and economic and legal feasibility. The estimated carats have been published as required by National Instrument 43 -101. The carats included in the 43-101 are used in the calculation of the amortization for the period (refer accounting policy). The carats available at Jasper have been assessed as management’s best estimates of expected carats to be obtained. Currently samples are being evaluated to compile the 43-101 for Jasper.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

3. Investment in associates

Associates

3.1. Flawless Diamonds Trading House Proprietary Limited - (20% shareholding)

Carrying amount		
Opening balance	233	208
Share of profit from equity accounted investment	149	59
Foreign exchange movements	14	(34)
Closing balance	**396**	**233**

The associate had no other comprehensive income (2014: $Nil).

Summarised financial information of associate - (100% interest)

Current assets	14 511	10 351
Non-current assets	776	62
Total assets	15 287	10 413
Current liabilities	13 325	9 322
Non-current liabilities	-	-
Total liabilities	13 325	9 322
Net assets	1 962	1 091
Revenue	105 643	83 642
Total comprehensive income for the year	743	295
Capital commitments and contingent liabilities of associate	-	-

Reconciliation of carrying value to the 20% interest in net assets

Net assets at 20%	392	218
Other adjustments	4	5
Carrying value	**396**	**233**

On 21 April 2010 the Group acquired a 20% shareholding in Flawless Diamonds Trading House Proprietary Limited ("Flawless") incorporated in the Republic of South Africa for ZAR0.7 million ($0.1 million) cash. Flawless is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Group.

As the Group has significant influence over Flawless' operations it accounts for the investment using the equity method.

3.2. Banzi Trade 26 Proprietary Limited - (49% shareholding)

Banzi Trade 26 Proprietary Limited ("Banzi Trade") was incorporated in 2005 in the Republic of South Africa with nominal equity. The Group acquired a 49% shareholding in the same year. Since the incorporation date the Group's portion of the losses from Banzi Trade exceeded its investment in the associate. The Group, in terms of its accounting policy, does not account for losses in excess of its investment in associates. The Group's carrying value of its investment in Banzi Trade is Nil.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

4. Property, plant and equipment

	As at 28 February 2015			As at 28 February 2014		
	Cost	**Accumulated depreciation and impairment losses**	**Carrying value**	**Cost**	**Accumulated depreciation and impairment losses**	**Carrying value**
Land and buildings	3 495	(1 019)	2 476	3 386	(854)	2 532
Plant and machinery	51 249	(28 366)	22 883	48 175	(22 520)	25 655
Motor vehicles	1 197	(810)	387	1 356	(856)	500
Office equipment	1 043	(879)	164	905	(740)	165
Construction in progress	1 091	-	1 091	1 976	(109)	1 867
	58 075	**(31 074)**	**27 001**	**55 798**	**(25 079)**	**30 719**

Reconciliation of property, plant and equipment - 28 February 2015

	Opening balance	**Additions**	**Tranfer to assets held for sale (note 9)**	**Disposals**	**Transfers**	**Foreign exchange movements**	**Depreciation**	**Impairment loss**	**Closing balance**
Land and buildings	2 532	55	(147)	-	88	69	(121)	-	2 476
Plant and machinery	25 655	3 097	(1 300)	(579)	1 534	880	(5 966)	(438)	22 883
Motor vehicles	500	-	-	(54)	-	13	(72)	-	387
Office equipment	165	59	(1)	-	49	6	(114)	-	164
Construction in progress	1 867	859	-	-	(1 671)	36	-	-	1 091
	30 719	**4 070**	**(1 448)**	**(633)**	**-**	**1 004**	**(6 273)**	**(438)**	**27 001**

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 28 February 2014

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Depreciation	Impairment loss	Closing balance
Land and buildings	4 194	180	(1 361)	-	(377)	(104)	-	2 532
Plant and machinery	25 990	3 088	(1 890)	5 857	(2 634)	(4 720)	(36)	25 655
Motor vehicles	518	143	(28)	-	(52)	(81)	-	500
Office equipment	278	17	-	-	(26)	(104)	-	165
Construction in progress	2 564	5 444	(36)	(5 857)	(248)	-	-	1 867
	33 544	**8 872**	**(3 315)**	**-**	**(3 337)**	**(5 009)**	**(36)**	**30 719**

The impairment loss represents

	2015	2014
Saxendrift Hill Complex - High Wall	62	-
Earthmoving vehicles	376	-
Wouterspan plant and machinery	-	36
	438	**36**

Impairments for the year ended 28 February 2015 and 28 February 2014 were done on the estimated market value less cost to sell on certain items of equipment no longer in use.

The Saxendrift Hill Complex ("SHC") operation was halted in January 2015 due to mine life and efficiency considerations. Management considered the recoverable amount of the plant and machinery at SHC, and it is intended that all of the plant and machinery will be relocated for use at the Wouterspan operations. Only the high wall is not moveable, and has therefore been impaired to a nil recoverable value, resulting in an impairment of $0.06 million.

Certain earthmoving vehicles were rebuilt as they have come to the end of their useful life. Therefore the carrying values prior to the rebuilds were impaired to zero. This resulted in an impairment of $0.4 million.

Included in fiscal 2014 are disposals of land and buildings of $1.2 million and plant and machinery of $1.2 million relating to the Klipdam sale totalling $2.4 million.

The following assets are subject to finance lease obligations: plant and machinery with a net carrying value of $2.6 million (2014: $0.6 million) and motor vehicles with a net carrying value of $0.1 million (2014: $0.2 million) totalling $2.8 million (2014: $0.8 million).

4. Property, plant and equipment (continued)

Estimates and judgements

Management performs an ongoing review of the Group's property, plant and equipment to consider indicators for impairment and where indicators for impairment were identified, the recoverable amount is estimated. Comparisons are made to similar assets available in the market taking into consideration their economic life, residual value, current condition and application in the mining and recovery processes. Impairment indicators were identified for certain items of property, plant and equipment and where no future economic benefits (value in use) will flow from the identified assets, judgement was applied to consider fair value less costs to sell. Assets identified, where the carrying value exceeds the recoverable amount, are impaired. Life of mine cash flow models form the basis against which the value in use is measured.

Management's review identified the following indicators for impairment:

Saxendrift:

The life of the Saxendrift operation, consisting of mineral property of $2.2 million and plant and other related assets of $3.8 million, was reduced to August 2015. The latest business plan is to mine the Saxendrift property for six months post year end, to close this mine and transfer the processing plant and movable assets of $3.8 million to Wouterspan. The carrying value of mineral property and plant assessed in terms of the Saxendrift remaining life of mine amounts to $2.2 million (as the plant is to be transferred to Wouterspan its carrying value was included in the impairment assessment of Wouterspan).

The key assumptions used by management in assessing the value in use for the Saxendrift mine are summarised as follows:

- Average diamond price (US$ per carat, average) – US$2,129
- Inflation – US$ Sales value at 2% and costs denominated in South African Rand at 6%
- Expected total volume to process for the six months – 901,505 m3
- Discount rate – 15%

The estimated value in use amounts to $2.2 million. Management concluded that no impairment was required.

Wouterspan:

Wouterspan was previously on care and maintenance and this continued during the financial year. Management estimated the value in use of the Wouterspan operation which is to be commissioned for the purpose of concluding whether an impairment would be required for the plant to be transferred from Saxendrift and Saxendrift Hill Complex mines.

Management intends to re-commission Wouterspan in 2017 and to initially mine the "Rooi-koppie gravel", using the plant from Saxendrift and Saxendrift Hill Complex. After the transfer of plant from Saxendrift and Saxendrift Hill Complex the carrying value of assets to be included in the Wouterspan value in use calculation amounts to $20.3 million, being mineral properties of $12.9 million and plant and other assets of $7.4 million.

The key assumptions used by management in assessing the value in use for the Wouterspan mine could be summarised as follows:

- Average diamond price (US$ per carat, average) – US$2,111
- Inflation – US$ Sales value at 2% and costs denominated in South African Rand at 6%
- Expected volume to process per annum – 2,400,000 m3
- Total available resource included in value in use estimate – 17,680,000 m3
- Additional capital expenditure - $5.9 million
- Discount rate – 15%

The estimated value in use amounts to $28.8 million. Management concluded that no impairment was required.

Niewejaarskraal:

Niewejaarskraal mine was suspended in April 2015 to allow for further operational evaluation work to be performed. Subject to the results of this work management intends to re-commence operations during fiscal 2017.

The carrying value of assets to be included in the Niewejaarskraal mine value in use calculation amounts to $9.9 million, being mineral properties of $1.1 million and plant of $8.8 million.

Amounts in Canadian Dollars ('000)

4. Property, plant and equipment (continued)

The key assumptions used by management in assessing the value in use for the Niewejaarskraal mine could be summarised as follows:

- Average diamond price (US$ per carat, average) – US$2,200
- Inflation – US$ Sales value at 2% and costs denominated in South African Rand at 6%
- Expected total volume to process per annum – 1,560,000 m3
- Total available resource included in value in use estimate – 12,542,611 m3
- Discount rate – 15%

The estimated value in use amounts to $12.7 million. Management concluded that no impairment was required.

Management has identified that a reasonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated amount to be equal to the carrying amount.

Change required for carrying amount to equal recoverable amount

	Saxendrift *	**Wouterspan**	**Niewejaarskraal**
Average diamond price (US$ per carat, real average, before inflation of 2%)	(a)	Decrease to US$ 2 020 per carat	Decrease to US$ 2 156 per carat
Expected volume per year (average m3)	(b)	12.42% decrease in material processed per year	5.5% decrease in material processed per year
Discount rate	(c)	Increase in discount rate from 15% to 22.1%	Increase in discount rate from 15% to 20.3%

* Due to the Saxendrift mineral property equalling the recoverable amount, the change in key assumptions results in the following impairment:

a.) 10% decrease in US$ price per carat results in an impairment of $1.2 million
b.) 10% decrease in material processed results in an impairment of $0.9 million
c.) 10% increase in the discount rate results in an impairment of $0.02 million.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014
5. Investments and deposits		
At fair value through profit or loss		
Investments	1 436	5 319

The Group invests in investment policies with endowment benefits on maturity of the policies in order to provide funding for the rehabilitation obligations. Premiums are invested on an initial lump sum and/or monthly annuity premium basis with the insurers and invested in specific investment plans. Policy investment value at any one time represents the value of premiums and growth after deduction of administration and investment fees. Withdrawals could be made against the policies before endowment against the deduction of penalties, which is lower than the investment value. To surrender the policy prior to maturity date will similarly attract penalties at a lower rate, and represents the value accessible at any one stage. Fair value at any one stage represents the surrender value of the investments. These policies are encumbered by the guarantees issued by Standard Bank on behalf of the Group (refer notes 15 and 30).

At amortized cost		
Deposits	66	67

Deposits paid to the South African national electricity supplier.

Total investments and deposits	**1 502**	**5 386**
Non-current assets		
At fair value through profit or loss	1 436	5 319
At amortized cost	66	67
	1 502	**5 386**

6. Inventories

Rough diamond inventories	599	3 353
Stockpile diamond inventory	118	123
Fuel, oil and grease	233	268
Mine supplies	1 227	864
	2 177	**4 608**

The net realizable value of rough diamond inventories is estimated at the average price per carat achieved for the most recent diamond tender taking into account the variable factors of clarity, carat, shape and colour. A write-down to net realizable value of $1.5 million (2014: $1.5 million) was recognized during the year.

Mine supplies were written down by $0.05 million (2014: $0.02 million) during the year.

Estimates and judgements

Management performs an ongoing review of inventory in order to determine the net realizable value and to identify inventory that requires a write-off. Obsolete, slow moving and damaged inventory are indicators that a write-off is required. Management's best judgement is applied in estimating the write-off should this be necessary.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

7. Trade and other receivables

Trade receivables	3 023	3 325
Other receivables *	992	2 829
Prepayments	258	810
VAT	616	1 537
	4 889	**8 501**

* Other receivables includes an amount of $0.1 million (2014: $1.2 million) receivable from a mining contractor relating to the sale of earthmoving equipment.

Other receivables and prepayments of $0.6 million (2014: $Nil) were impaired during the year. These receivables were considered unrecoverable, and written down to nil.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2	1
Bank balances	574	888
Short-term cash deposits	-	436
	576	1 325
Bank overdraft	-	(3 085)
	576	**(1 760)**
Current assets	576	1 325
Current liabilities	-	(3 085)
	576	**(1 760)**

The Group has an overdraft facility in the amount of ZAR27.0 million ($2.9 million) available for its operations of which Nil has been utilized. This facility has an interest cost of prime (currently 9.25% per annum) plus 0.6%. The security for the ZAR27.0 million overdraft facility consists of joint suretyship limited to ZAR28.0 million (2013: ZAR28.0 million), by Rockwell Resources RSA Proprietary Limited and HC van Wyk Diamonds Limited, and the cession of an investment policy. The overdraft facility expires on 31 May 2015 and, at the time of signing these financial statements this facility was drawn down to $2.7 million (ZAR25.7 million) and renewal of the facility was in the process of negotiation.

Amounts in Canadian Dollars ('000) | As at 28 February 2015 | As at 28 February 2014

9. Assets and liabilities held for sale

On March 30, 2015, the Company announced that it had reached an agreement to sell its non-core Tirisano Project ("Tirisano") in the North West Province of South Africa for a cash consideration of ZAR60 million ($6.4 million). The property had previously been identified as a non-core asset and a sale process was initiated. After evaluating a number of proposals as part of the sale process, the Company reached an agreement with a consortium made up of the royalty miners ("the Consortium"), who have operated at Tirisano for the past two years. The Consortium signed an agreement on 27 March 2015 and will acquire the entire issued share capital, together with claims on loan account in Rockwell's 100% owned subsidiary, Etruscan Diamonds Proprietary Limited including the Tirisano mining right and its associated infrastructure, on completion of conditions precedent. Accordingly these assets and liabilities are presented as a disposal group held for sale.

The sale is expected to close within 12 months, after the successful completion of conditions precedent, including required regulatory approvals. The cash consideration will be settled by way of two initial payments totaling ZAR20 million ($2.1 million), already received in Q1 2016, followed by 20 equal monthly instalments of ZAR2 million ($0.21 million).

As at 28 February 2015 the disposal group was stated at the impaired carrying amount being the lower of carrying amount or fair value less costs to sell (Level 1 of the fair value hierarchy) and was included within the North West for operating segment reporting purposes (refer note 31). An impairment of $2.6 million was calculated on the mineral property value based on the difference between the selling price of ZAR60 million ($6.4 Million) and the net carrying value.

The disposal of the Tirisano Project is not considered to be a discontinued operation. Although regarded as a seperate segment it is not considered to represent a seperate line of business or geographical area.

Assets and liabilities

	As at 28 February 2015	As at 28 February 2014
Assets held for sale		
Mineral property interests	8 000	
Property, plant and equipment	1 448	
Investments and deposits	1 664	
Rehabilitation deposits	84	
Inventory	457	
Trade and other receivables	1 096	
Cash and cash equivalents	776	
	13 525	
Liabilities held for sale		
Loans and borrowings	3 697	
Rehabilitation obligation	2 117	
Trade and other payables	1 606	
	7 420	

Amounts in Canadian Dollars ('000)

Notes to the Consolidated Financial Statements

10. Share capital

Reconciliation of number of shares issued:

	Number of shares	Number of shares
Beginning of year	53 523 244	48 409 413
Payment on conversion of mining right (note 2) *	-	533 332
AVR unbundling #	-	3 466 667
Shares issued to employees (note 11) ^	960 000	1 113 832
Share options exercised	75 000	-
End of year	**54 558 244**	**53 523 244**

The Company's authorised share capital consists of an unlimited number of Common Shares, without par value, and an unlimited number of preference shares without par value, of which no preference shares have been issued. The directors have the authority to issue shares, up to 10% of shares currently in issue, without shareholders' approval.

Share capital is shown net of share issuance cost. The issuance cost amounted to $0.01 million (2014: $0.02 million).

The following shares are reserved for issue:

- Employee share options	3,336,688
- Daboll loan (note 12)	12,235,686

* These shares were issued on 19 March 2013. At 28 February 2013 they were included in share capital at $0.25 per share. The $0.25 per share represents the trading price of the shares at the effective date of this transaction.

These shares were issued on 27 December 2013. At 28 February 2013 they were included in share capital at $0.25 per share. The $0.25 per share represents the trading price of the shares at the effective date of this transaction. These shares relate to the buy-back of non-controlling interests in HC van Wyk Diamonds Limited and Klipdam Diamond Mining Company Limited.

^ Shares issued to consultants and employees amounted to:

	As at 28 February 2015		**As at 28 February 2014**	
	Quantity	**Share price at grant date**	**Quantity**	**Share price at grant date**
Consultants	50,000	0.36	138,832	0.21
Employees	910,000	0.36	975,000	0.21
	960,000		1,113,832	

The number of shares issued was calculated as the bonus/consulting expense divided by the trading share price at grant date.

11. Share-based payments

Employee share-based payments

The Group has a share-based payment plan approved by the shareholders that allows the Group to grant options for up to 10% of the Company's shares in issue at any point in time, typically vesting over two years, to its directors, employees, officers, and consultants. The Company determines the exercise price using an historic volume weighted average which could differ from the closing price on the grant date. Share options have a maximum term of five years and typically terminate 90 days following the termination of the optionee’s employment, except in the case of retirement or death, which terminate one year thereafter.

The Group uses the Black-Scholes option pricing model to estimate a fair value for these options at grant date. This model require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the share-based payment expense charged in a period.

All options are to be settled by physical delivery of shares.

Included under share capital (note 10) are issues to employees and consultants.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

11. Share-based payments (continued)

The terms and conditions of the grants of the share option plan are as follows:

	Number of instruments granted - key management	Number of instruments granted - senior employees	Number of instruments granted - other	Vesting conditions	Fair value grant date of option	Share price grant date	Exercise price	Assumptions used to fair value options: Risk free interest rate	Expected life	Expected volatility	Expected Dividend
Share options issued during the year ended 28 February 2014											
9 October 2013	325 000	525 000	413 300	1/3 vests immediately, 1/3 vests 9 April 2014 and 1/3 9 October 2014	0.40	0.40	0.40	2.5%	10	167%	Nil
Share options issued during the year ended 28 February 2015											
10 October 2014	450 000	-	-	1/3 vests 21 July 2015, a 1/3 vests 21 July 2016 and a 1/3 vests 21 July 2017	0.28	0.28	0.32	1.9%	9	169%	Nil
15 January 2015	64 537	20 923	29 152	All vest immediately	0.07	0.25	0.26	0.8%	0.7	88%	Nil
15 January 2015	332 444	-	-	221 629 vest immediately and 110 815 vest 1 June 2015	0.13	0.25	0.26	0.8%	1.7	107%	Nil

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

11. Share-based payments (continued)

The continuity of share-based payments for the year ended 28 February 2015 is as follows:

Grant date	28 February 2014	Granted/ issued	Exercised	Expired / cancelled	28 February 2015
7 December 2009	296 298	-	-	(296 298)	-
8 October 2010	595 659	-	-	(457 594)	138 065
12 October 2011	825 132	-	-	(825 132)	-
12 October 2011	571 275	-	-	(446 275)	125 000
22 October 2012	320 000	-	-	-	320 000
12 December 2012	758 267	-	(75 000)	(90 000)	593 267
9 October 2013	1 469 800	-	-	(206 500)	1 263 300
10 October 2014	-	450 000	-	-	450 000
15 January 2015	-	447 056	-	-	447 056
	4 836 431	897 056	(75 000)	(2 321 799)	3 336 688
Weighted average excercise price	$0.54	$0.29	$0.21	$0.70	$0.38
Weighted average fair value of share options granted during the year					$0.19

Total options vested	2 775 873
Total options unvested	560 815
	3 336 688

Amounts in Canadian Dollars ('000)

11. Share-based payments (continued)

The continuity of share-based payments for the year ended 28 February 2014 is as follows:

Grant date	28 February 2013	Granted/ Issued	Exercised	Expired / cancelled	28 February 2014
7 December 2009	673 074	-	-	(376 776)	296 298
8 October 2011	703 389	-	-	(107 730)	595 659
12 October 2011	918 333	-	-	(93 201)	825 132
12 October 2011	571 275	-	-	-	571 275
22 October 2012	320 000	-	-	-	320 000
12 December 2012	789 534	-	-	(31 267)	758 267
9 October 2013	-	1 469 800	-	-	1 469 800
	3 975 605	1 469 800	-	(608 974)	4 836 431
Weighted average exercise price	$0.64	$0.40	-	$0.81	$0.54
Weighted average fair value of share options granted during the year					$0.40

Share-based payment expenses

	For the year ended 28 February 2015	For the year ended 28 February 2014
Share options granted in prior years	164	202
Share options granted in current year	76	424
Total share-based payment cost expensed to operations, with the offset credited to share-based payment reserve	**240**	**626**

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014
12. Loans and borrowings		
Held at amortized cost		
Industrial Development Corporation of South Africa Limited	-	3 195
The loan was acquired by Rockwell Diamonds Inc. with the asset and liability acquisition of Etruscan Diamonds Proprietary Limited, and was entered into by Blue Gum Diamonds Proprietary Limited, a 74% owned subsidiary of Etruscan Diamonds Proprietary Limited.		
The loan is repayable in 10 equal bi-annual instalments, bears interest at 1.28% above the current prime rate (9.25% p.a.) and is denominated in South African Rand. The loan was transferred to liabilities held for sale (refer note 9).		
Daboll loan	1 967	2 000
On 2 June 2011, the Group signed a Convertible Loan Agreement with Daboll Consultants Limited. It was agreed that Daboll Consultants Limited would lend the Group $2 million.		
Prior to 26 June 2015 the loan is repayable at the election of the borrower it is disclosed as non-current.		
The loan is convertible into common shares of the Company at the option of Daboll Consultants Limited during 21 calendar days prior and up to 26 June 2015. If not converted the loan and interest become payable on demand post 26 June 2015 (refer note 34).		
The loan bears interest at 5% p.a. payable each calendar quarter, and any unpaid interest is compounded annually.		
This loan is regarded as a related party loan (refer note 16).		
Convertible debentures	4 173	-
On November 19, 2014 Rockwell completed an offering of two-year unsecured convertible debentures in a principal amount of $4.1 million with two insiders, namely Rockwell's principal shareholder Daboll Consultants Ltd, an affiliate of Diacore, ($3 million) and with Mark Bristow, Rockwell's non-executive chairman ($1.1 million) in three instalments up to January 23, 2015.		
The debentures bear interest at a rate of 5% p.a. and will become convertible, subject to the prior approval of the disinterested minority shareholders, into the same equity securities as may be issued in any equity financings completed by the Company within the first 12 months after the debentures are issued, at the undiscounted, five day volume weighted average price ("VWAP"). If no equity financings are completed, then the debentures may be converted into common shares, at the option of the debenture holder, anytime in the second 12 months, at a 10% discount to the equity financing price not to exceed a discount of more than 25% from the VWAP (where the Company's share trade at $0.50 or less and 20% discount from VWAP if above $0.50).		
The total offering was reduced by $0.3 million to avoid exceeding the allowable amount for the exemption from the requirement to obtain prior minority shareholder approval under Multilateral Instrument 61-101. Seperate demand loan agreements were executed for this amount on similar terms to the convertible debentures, and are included in the above total (Daboll Consultants Limited - $0.2 million and Mark Bristow - $0.09 million).		
	6 140	**5 195**

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

12. Loans and borrowings (continued)

Non-current liabilities		
At amortized cost	3 844	3 241
Current liabilities		
At amortized cost	2 296	1 954
	6 140	**5 195**

13. Finance lease obligation

Minimum lease payments due		
- within one year	869	171
- between one and five years	1 387	130
	2 256	301
Less: future finance charges	(272)	(26)
Present value of minimum lease payments	**1 984**	**275**
Present value of minimum lease payments due		
Current liabilities - within one year	708	165
Non-current liabilities - between one and five years	1 276	110
	1 984	**275**

Finance lease obligations as detailed above are secured over plant and equipment and are repayable, on average, in 36 monthly installments and are denominated in South African Rand. Interest is charged at rates of between 1.25% to 2.00% in excess of the prevailing prime rate, which is 9.25% per annum (2014: 9%) at 28 February 2015. There are no significant restrictions imposed on the lessee as a result of the lease obligations.

Operating leases are disclosed under note 29.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

14. Deferred tax

Deferred tax liability

Mineral property interests	(2 743)	(2 680)
Property, plant and equipment	(2 270)	(3 695)
Other	-	(66)
	(5 013)	(6 441)

Deferred tax asset (recognized)

Rehabilitation obligation	973	515
Tax loss recognized	1 024	-
Other	21	-
	2 018	515
	(2 995)	**(5 926)**

Reconciliation of net deferred tax liability

At beginning of the year	(5 926)	(6 543)
Foreign exchange movement	(60)	554
Recognized in profit or loss	2 991	63
	(2 995)	**(5 926)**

Estimates and judgements

Deferred tax assets are raised only to the extent that future taxable income will be available against which the deferred tax asset can be set off. Management estimates future taxable income using forecasts based on the best available current information.

Unrecognized deferred tax asset

Deferred tax assets have not been recognized for temporary differences where it's not probable that the respective entities to which they relate will generate future taxable income against which to utilise the temporary differences. Estimated unrecognized deferred tax assets could be summarised as follows:

	Canada	**South Africa**
Balance as at 28 February 2013	22 219	12 854
Unrecognized deferred tax losses for the year	206	235
Less: Sale of Klipdam	-	(775)
Balance as at 28 February 2014	22 425	12 314
Unrecognized deferred tax losses for the year	273	1 322
Balance as at 28 February 2015	**22 698**	**13 636**

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

15. Rehabilitation obligation

Reconciliation of obligation - 28 February 2015

	Opening balance	Rehabilitation obligation recognised / (revised)	Foreign exchange movements	Transfer to non-current liabilities held for sale (note 9)	Unwinding	Closing balance
Wouterspan	1 007	(90)	37	-	90	1 044
Saxendrift Mine	1 514	1 106	111	-	269	3 000
Tirisano Mine	2 456	(413)	74	(2 117)	-	-
Jasper Mining	355	136	19	-	-	510
Niewejaarskraal	1 127	254	52	-	-	1 433
	6 459	**993**	**293**	**(2 117)**	**359**	**5 987**

Reconciliation of obligation - 28 February 2014

	Opening balance	Rehabilitation obligation recognised / (revised)	Foreign exchange movements	Decommis-sioning asset raised (note 4)	Sale of Klipdam Mine (note 18)	Unwinding	Closing balance
Holpan, Wouterspan, and Klipdam Mines	2 155	(42)	(199)	-	(984)	77	1 007
Saxendrift Mine	2 406	(663)	(229)	-	-	-	1 514
Tirisano Mine	2 239	283	(230)	-	-	164	2 456
Jasper Mining	193	185	(23)	-	-	-	355
Niewejaarskraal	-	981	(19)	165	-	-	1 127
	6 993	**744**	**(700)**	**165**	**(984)**	**241**	**6 459**

Amounts in Canadian Dollars ('000)

15. Rehabilitation obligation (continued)

Estimated rehabilitation costs, which are based on the Group's interpretation of current environmental and regulatory requirements, represent the present value of the expected future costs to rehabilitate the mine properties during and at termination of mining operations. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Based on current environmental regulations and known rehabilitation requirements, management has included its best estimate of these obligations in its rehabilitation provision based on professional surveys of the environmental disturbance.

The ultimate rehabilitation will be financed from existing funds and policies invested for this purpose, ongoing contributions as well as the proceeds on sale of assets and metal from plant clean-up at the time of the mine closure. The expected timing of the cash flows in respect of the provisions is dependent on the mineral property award and/or the Life of Mine. Rehabilitation of disturbed areas, at the operating Northern Cape mines, is performed on a continuous basis. Rehabilitation of disturbed areas where the alluvial open-cast bench mining process is followed and the non-operating Northern Cape mines will be performed when the mining operations cease. However, it is reasonably possible that the Group's estimates of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates. The following key assumptions were used in estimating the rehabilitation obligation and has been consistently applied from the prior year:

Discount period:	2.5 - 9 years (End of life of mine)
South African discount rate:	9%
South African inflation rate:	6%

As required by regulatory authorities, at 28 February 2015, the Group had cash rehabilitation deposits totaling $3.4 million (28 February 2014 – $1.7 millionj) comprised of $3.4 million (28 February 2014 – $0.9 million) for the Holpan, Wouterspan and Klipdam mine, $Nil (28 February 2014 – $Nil) for the Saxendrift mine and $Nil (28 February 2014 – $0.7 million) for the Tirisano mine. These deposits are invested in interest bearing and money market linked investments. These investments have been pledged as security in favour of the guarantees the bank issued on behalf of the Group (refer to note 5).

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

16. Related parties

Related party balances

Balances payable		
Seven Bridges Trading (a)	5	4
Gump Mining (g)	157	-
Current balances payable	162	4
Loans from related parties	162	4

All the above named loans are unsecured, interest free and have no fixed terms of repayment and are therefore disclosed as current.

Balances receivable		
Banzi Trade (c)	-	178
Mogopa Minerals (d)	8	8
Current balances receivable	8	186
Loans to related parties	8	186

These loans represent working capital loans and are therefore disclosed as current.

Related party transactions

Services rendered and expenses reimbursed:		
Seven Bridges Trading (a)	46	45
Banzi Trade (c)	-	1
Mogopa Minerals (d)	124	102
Flawless Diamonds Trading House (b)	707	382
Sales rendered to:		
Sale of diamonds - Diacore (f)	38 650	29 007
Beneficiation income - Diacore (f)	11 050	4 063
Finance cost include the following amounts paid to related parties		
Daboll (e)	109	99
Emerald (h)	15	-
Loans and borrowings include the following amounts due to related parties		
Daboll (e) - convertible loan	1 967	2 000
Daboll (e) - convertible debenture	2 789	-
Daboll (e) - demand loan	239	-
Emerald (h) - convertible debenture	1 055	-
Emerald (h) - demand loan	90	-
Receivables from related party included under trade and other receivables		
Diacore (f)	2 891	2 483
Compensation to key management personnel		
Salaries and other short-term benefits	1 118	1 013
Bonus	322	171
Termination benefits	151	-
Share-based payment (note 11)	169	165
	1 760	**1 349**

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

16. Related parties (continued)

All related party transactions are calculated at arm's length transaction values in the normal course of business, except where noted below:

(a) Seven Bridges Trading 14 Proprietary Limited ("Seven Bridges Trading") is a wholly-owned subsidiary of Randgold Resources Limited, a public company where Dr. D M Bristow, a director of the Company, serves in an executive capacity. Seven Bridges Trading provides administrative and management services.

(b) Flawless Diamonds Trading House Proprietary Limited (“Flawless Diamonds Trading House”) is an associated company. Flawless is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Group for a fixed fee of 1% of turnover which is below the market rate charged by similar tender houses.

(c) Banzi Trade 26 Proprietary Limited (“Banzi Trade”) is 49% owned by HC van Wyk Diamonds Limited (note 3) and 51% by Bokomoso Trust. Banzi Trade is an empowered private company established to provide projects to local communities in South Africa as part of the Company’s Social and Labour Plan commitments in terms of the South African Minerals and Petroleum Resources Development Act (“MPRDA”). Banzi provides the Group with building materials at market rates.

(d) The Bakwena Ba Mogopa Trust is the beneficial owner of 26% in the Tirisano Mine operation resident in Blue Gum Diamonds Proprietary Limited. This interest is held by Magopa Minerals Proprietary Limited through Magopa Blue Gum Proprietary Limited. As the landowner, surface rentals are paid to the Trust, while business and support services are paid to Magopa Minerals for shareholder relations and related services.

(e) Daboll Consultants Limited ("Daboll") owns 19% shares in the Company and is considered a related party. Daboll has convertible loan and convertible debenture agreements with the Company at market related terms.

(f) Diacore Diamond Group (“Diacore”) is the holding company of Daboll and is the Company’s strategic beneficiation partner, with plus 2,8 carat sized diamonds being acquired by Diacore through the diamond trading house for beneficiation. The Group and Diacore participate equally in the retail profit from the sale of its stones, after polishing and finishing.

(g) Gump Mining Proprietary Limited ("Gump Mining") owns a 50% interest in Gumrock Mining Proprietary Limited, a subsidiary company.

(h) Emerald Holdings Limited ("Emerald") is an investment company in which Dr. D M Bristow, a director of the Company, has a financial interest.

17. Trade and other payables

Trade payables	3 640	4 148
Royalties payable	3 380	3 401
Other payables *	2 928	2 485
Payroll accruals	932	717
VAT	22	411
	10 902	**11 162**

* Included in other payables is an obligation to transfer investments and deposits amounting to $1.7 million (2014: $1.7 million) (refer note 18) to the purchaser as part of the sale of Klipdam.

Amounts in Canadian Dollars ('000) | As at 28 February 2015 | As at 28 February 2014

18. Sale and acquisition of subsidiaries

18.1. Sale of subsidiary

On 27 March 2013 ("Effective date") the Rockwell Diamonds Inc. Group disposed of a 100% shareholding in Klipdam Diamond Mining Company Proprietary Limited, which formed part of the Northern Cape operations. The entity was sold for an amount of $2.4 million of which an amount of $0.7 million is receivable only on transfer of the mineral right to the purchaser. The assets and liabilities sold amounted to:

Carrying value of assets sold	
Property, plant and equipment	(2 413)
Mineral property interests	(1)
Rehabilitation obligation	984
Obligation to transfer investments and deposits	(1 715)
Trade and other payables	472
Total net assets sold	(2 673)
Net assets sold	(2 673)
Loss on disposal	259
	(2 414)
Consideration received	
Cash	1 679
Deferred consideration	735
	2 414

The mineral right was transferred to the purchaser on 9 December 2014, and the transaction is in the process of being finalized. ZAR2 million ($0.2 million) deferred consideration was received during the year ended 28 February 2015, and ZAR5 million ($0.5 million) was still outstanding at 28 February 2015. This will be received on completion of the transaction.

18.2. Acquisition of subsidiary

Gumrock Proprietary Limited ("Gumrock") is an unlisted entity in which the Group has a 50% interest.

Gumrock is structured as a separate vehicle in which the Group has a residual interest. Rockwell has certain voting rights which effectively give it the ability to control the relevant activities, and management has concluded that Gumrock should be consolidated from incorporation.

Gumrock was incorporated in March 2014, and Rockwell paid ZAR1million for its 50% interest. A prospecting and contract mining agreement was concluded between Gumrock and the Group's subsidiary, Saxendrift Mining Proprietary Limited, in order to mine on the Group's Kwartelspan prospecting right.

A loss of $0.6 million was allocated to non-controlling interest during the year ended 28 February 2015, representing 50% of Gumrock's total loss for the year.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 28 February 2015	As at 28 February 2014

19. Cash generated from operations

Loss before taxation	(17 517)	(10 490)
Adjustments for:		
Depreciation and amortization	7 066	5 937
Realized foreign exchange with sale of subsidiary	-	6 609
Loss (profit) on disposal of property, plant and equipment	266	(72)
Profit on disposal of mineral properties	-	(482)
Loss on sale of subsidiary	-	259
Share of profit from equity accounted investment	(149)	(59)
Finance income	(449)	(699)
Finance costs	1 308	1 137
Rehabilitation obligation recognized	993	743
Share-based payment expense	240	626
Equity-settled employee cost	347	234
Impairment of mineral property interests	2 576	-
Impairment of property, plant and equipment	438	36
Write down to net realizable value of diamond inventories	1 468	1 471
Write down of mine supplies	48	19
Impairment of receivables	581	-
Changes in working capital:		
Inventories	547	(4 949)
Trade and other receivables	2 082	(3 171)
Trade and other payables	812	5 521
	657	**2 670**

20. Tax paid

Balance at beginning of the year	36	40
Current tax for the period recognised in profit or loss	-	-
Exchange rate movements	1	(4)
Balance at end of the year	(37)	(36)
	-	**-**

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	Year ended 28 February 2015	Year ended 28 February 2014

21. Revenue

Sale of diamonds	56 948	41 107
Beneficiation income	11 050	4 063
	67 998	**45 170**

Beneficiation income represents profit share on value add (cut and polish), arising through the Group's beneficiation agreement with Diacore. The Group is entitled to 50% of the profits from the sale of the polished diamonds produced by the Group and sold through this channel. The beneficiation income is recognized on the date Diacore notifies the Group of the successful sale of the diamonds to third parties.

22. Cost of sales before amortisation and depreciation

Mining	19 374	12 324
Employee cost	9 337	7 630
Processing	4 940	3 332
Contract mining	7 880	4 305
Other	9 253	5 064
Royalties	409	225
Production cost	**51 193**	**32 880**
Inventory movement	2 774	(2 432)
Royalty mining	14 860	8 752
	68 827	**39 200**

23. Loss before net finance costs

Loss before net finance costs for the year is stated after accounting for the following:

Loss (profit) on sale of property, plant and equipment	266	(72)
Profit on disposal of mineral property interests	-	(482)
Loss on sale of subsidiary	-	259
Realized foreign exchange with sale of subsidiary	-	6 609
Depreciation on property, plant and equipment	6 273	5 009
Amortization on mineral property interests	793	928
Salaries and wages	2 123	1 761
Share based payment expense	240	626
Operating lease expense	4 620	846
Impairment of mineral property interests	2 576	-
Impairment of property, plant and equipment	438	36
Impairment of receivables	581	-
Write down to net realizable value of diamond inventories	1 468	1 471
Write down of mine supplies	48	19
Auditors' remuneration		
- Audit fee	268	324
- Other services	49	24
General, administration and business development expenses		
- General and administration expenses	5 524	4 258
- Business development expenses	371	182

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	Year ended 28 February 2015	Year ended 28 February 2014

24. Finance income

Bank	263	373
Fair value adjustments on other financial assets	186	326
	449	**699**

25. Finance costs

Loans and borrowings	515	430
Finance lease obligation	96	43
Bank	168	168
Unwinding of rehabilitation obligation	359	242
Other	170	254
	1 308	**1 137**

26. Taxation

Major components of the tax income

Deferred tax		
Movement in deferred tax balance recognized through profit or loss	(2 991)	(63)

Reconciliation of taxation

Reconciliation between accounting loss and taxation:

Loss before tax	(17 517)	(10 490)
Tax at the applicable tax rate of 26.00% (2014: 26.50%)	(4 554)	(1 028)
Tax effect of adjustments on taxable loss		
Difference in foreign tax rates	(329)	(29)
Non-deductible expenses	297	553
Unrecognized deferred tax assets	1 595	441
	(2 991)	**(63)**

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	Year ended 28 February 2015	Year ended 28 February 2014

27. Loss per share

Basic and diluted loss per share

Cents per share	(25.89)	(21.30)

Basic loss per share was calculated based on a weighted average number of common shares of 54 001 354 (2014: 49 839 859).

Reconciliation of loss for the year to basic loss		
Loss for the year	(14 526)	(10 427)
Adjusted for:		
Loss attributable to non-controlling interest	546	(191)
Basic loss attributable to owners of the Group	**(13 980)**	**(10 618)**

At 28 February 2015 and 28 February 2014 the impact of share-based payment options were excluded from the weighted average number of shares, for the purpose of the diluted loss per share calculation, as the effect would have been anti-dilutive.

Basic and diluted headline loss per share

Cents per share *	(19.81)	(8.68)

Reconciliation between basic loss and headline loss		
Basic loss attributable to owners of the Group	(13 980)	(10 618)
Adjusted for:		
Profit on disposal of mineral properties	-	(482)
Loss (profit) on disposal of property, plant and equipment	266	(72)
Impairment of mineral property interests	2 576	-
Impairment of property, plant and equipment	438	36
Share of profit from equity accounted investment	-	(59)
Loss on sale of subsidiary	-	259
Realized foreign exchange with sale of subsidiary	-	6 609
Non-controlling interest portion of above adjustments	-	-
Headline loss attributable to owners of the Group	**(10 700)**	**(4 327)**

The basic and diluted headline loss per share disclosure is provided based on the listing requirements of the Johannesburg Stock Exchange (Group's secondary listing). The disclosure of basic and diluted headline loss per share is provided in accordance with Circular 2/2013 as issued by the South African Institute of Chartered Accountants. Headline loss represents the basic loss attributable to the owners of the Group excluding certain re-measurements.

At 28 February 2015 and 28 February 2014 the impact of share-based payment options were excluded from the weighted average number of shares, for the purpose of the diluted headline loss per share calculation, as the effect would have been anti-dilutive.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	Year ended 28 February 2015	Year ended 28 February 2014

28. Realized foreign exchange with sale of subsidiary

During the year ended 28 February 2014, the Group sold three subsidiaries, namely Klipdam Diamond Mining Company Proprietary Limited (note 18), Durnpike Investments Proprietary Limited (dormant) and Rockwell Diamonds Explorations Proprietary Limited (dormant). While operating these subsidiaries, the Group recorded foreign exchange losses on the subsidiaries' assets to reflect the change in relative exchange rates. Upon the sale, the prior foreign exchange reserve was thus released to profit or loss.

This is effectively a reversal of the foreign currency translation reserve to retained earnings, and has no cash flow effect.

Breakdown of realized foreign exchange with sale of subsidiary:		
Durnpike Investements Proprietary Limited	-	7 509
Klipdam Diamond Mining Company Proprietary Limted	-	(900)
Rockwell Diamonds Explorations Proprietary Limited	-	-
	-	6 609

29. Commitments

Authorised capital expenditure (not contracted for)

At 28 February 2015, the Company committed to spend $0.2 million (2014: $0.9 million) on capital projects during the following year to be funded through cash flows from operating activities.

Operating leases

Minimum lease payments due		
- within one year	5 054	1 160
- in second to fifth year inclusive	7 171	3 178
	12 225	**4 338**

Operating lease payments represent rentals payable by the Group for surface rentals and certain of its office properties.

Purchase orders	164	1 100

30. Contingencies

HC van Wyk Diamonds Limited, Saxendrift Mine Proprietary Limited, Etruscan Diamonds Proprietary Limited and Blue Gum Diamonds Proprietary Limited held guarantees with the bank in favour of Eskom (Electricity Provider) of ZAR5.4 million ($0.6 million) (2014: ZAR5.3 million; $0.6 million) and the Department of Minerals and Energy (DME) of ZAR37.8 million ($4.0 million) (2014: ZAR53.7 million; $5.5 million) for rehabilitation expenses.

Amounts in Canadian Dollars ('000)

31. Segmental information

The Group has three reportable operating segments, as described below, which are the Group's operating divisions. These divisions offer different diamond product characteristics, qualities, geological characteristics, processes and services, and are managed separately because they require different technology and profit or cost strategies. For each of the divisions the Group executive committee (chief operating decision making body) reviews internally managed reports on at least a monthly basis. The following describes the operations in each of the Group's reportable segments:

- Northern Cape operation is associated with the mining of Paleo Channels and Rooikoppie gravels and the recovery of high value and larger carat size diamonds;
- North West operation is associated with the mining of potholes and the recovery of lower value and smaller carat size diamonds; and
- Corporate represents the corporate management and administrative function of the Group.

The reconciliation column represents the inter group transactions eliminated on consolidation. All reportable segments are located in the same geographical jurisdiction. Information regarding the results of each of the reportable segments is included below.

For the year ended 28 February 2015	**Northern Cape**	**North West**	**Corporate**	**Reconciling**	**Total**
Property, plant and equipment	26 999	-	2	-	27 001
Mineral property interests	16 518	-	-	-	16 518
Total assets	47 415	13 525	65 672	(56 607)	70 005
Total liabilities	63 578	22 007	6 612	(56 607)	35 590
External revenue	(51 504)	(16 494)	-	-	(67 998)
Other material non-cash items					
- Depreciation on property, plant and equipment	6 021	248	4	-	6 273
- Amortization on mineral property interests	568	225	-	-	793
- Rehabilitation obligation recognised	1 406	(413)	-	-	993
- Impairment of mineral property interests	-	2 576	-	-	2 576
- Impairment of property, plant and equipment	438	-	-	-	438
- Write down mine supplies	48	-	-	-	48
- Impairment of sundry receivables	578	3	-	-	581
- Share of profit from equity accounted investment	-	-	(149)	-	(149)
Finance income	(347)	(93)	(9)	-	(449)
Finance costs	809	374	125	-	1 308
Taxation	(2 991)	-	-	-	(2 991)
Loss for the year	10 892	2 362	1 272	-	14 526

Amounts in Canadian Dollars ('000)

31. Segmental information (continued)

For the year ended 28 February 2014

	Northern Cape	North West	Corporate	Reconciling	Total
Property, plant and equipment	29 079	1 627	13	-	30 719
Mineral property interests	16 265	10 376	-	-	26 642
Total assets	57 739	13 988	71 698	(64 088)	79 337
Total liabilities	72 156	21 589	2 449	(64 088)	32 106
External revenue	(36 445)	(8 725)	-	-	(45 170)
Other material non-cash items					
- Depreciation on property, plant and equipment	4 764	241	3	-	5 009
- Amortization on mineral property interests	785	143	-	-	928
- Rehabilitation obligation (revised) recognised	1 167	(424)	-	-	743
-Impairment of property, plant and equipment	36	-	-	-	36
-Write down of mine supplies	19	-	-	-	19
- Share of profit from equity accounted investment	-	-	(59)	-	(59)
Finance income	(514)	(93)	(92)	-	(699)
Finance cost	533	505	99	-	1 137
Taxation	(63)	-	-	-	(63)
Loss for the year	2 294	(688)	8 821	-	10 427

32. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Overview

This note presents information about the Group's exposure to risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Capital management

As at 28 February 2015, the Group is not subject to externally imposed capital encumbrances other than its overdraft facility and finance leases.

At 28 February 2015, of the $0.6 million (28 February 2014 – $1.3 million) cash and cash equivalents held by the Group, $0.5 million (28 February 2014 – $1.2 million) were held in South African Rand ("ZAR"), $0.04 million (28 February 2014 – $0.2 million) in Canadian Dollars and $0.01 million (28 February 2014 – $0.01 million) in United States Dollars.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise. The Group considers the components of shareholders' equity, as well as its cash and cash equivalents, and bank indebtedness as capital. The Group's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may issue new shares through private placements, issue debt, or return capital to shareholders, in order to maintain or adjust the capital structure.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Group incurred a loss of $14.5 million (2014: $10.4 million) for the year ended 28 February 2015. As of this date its current liabilities exceed its current assets by $0.3 million (2014: $1.7 million). In order to fund the Steyn transaction (referred to in note 1.2) and the Group's working capital until August 2015, the Group will be required to raise long-term capital in the foreseeable future. On 15 May 2015 the Group secured $21.4 million (ZAR210 million) of bridging finance to fund the Steyn transaction with a tenor of three-and-half months (expiring at the end of August 2015). The Company plans to refinance this bridging loan in Q2 2016, through the capital market, by August 2015. Should the Company be unable to refinance, current arrangements provide for repayment through (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid.

Working capital requirements will be funded through the finance of the moveable plant acquired through the Steyn transaction. Management expects the group to be cash self-sustaining after this debt is successfully refinanced.

Amounts in Canadian Dollars ('000)

32. Financial risk management (continued)

Carrying amount and fair values of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The following tables show the estimated fair values of the financial instruments:

	28 February 2015 - Carrying amount	28 February 2015 - Fair value	28 February 2014 - Carrying amount	28 February 2014 - Fair value
Assets carried at fair value through profit or loss				
Investments	1 436	1 436	5 319	5 319
Assets carried at amortized cost				
Deposits	66	66	67	67
Rehabilitation deposits	3 376	3 376	1 701	1 701
Trade and other receivables	4 015	4 015	6 154	6 154
Cash and cash equivalents	576	576	1 325	1 325
Loans to related parties	8	8	186	186
Liabilities carried at amortized cost				
Loans and borrowings	6 140	6 140	5 195	5 195
Trade and other payables	6 568	6 568	6 633	6 633
Finance lease obligations	1 984	1 984	275	275
Loans from related parties	162	162	4	4
Bank overdraft	-	-	3 085	3 085

The following table illustrates the classification of the Group's financial instruments recorded at fair value within the fair value hierarchy:

Financial assets at fair value - 28 February 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	1 436	-	-	1 436
Financial assets at fair value - 28 February 2014				
Investments	5 319	-	-	5 319

The financial assets designated at fair value through profit or loss are investments that would otherwise be classified as available for sale. The performance of these investments are managed on a fair value basis.

Amounts in Canadian Dollars ('000)

32. Financial risk management (continued)

Financial instrument risk exposure and risk management

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures, credit risk, liquidity risk, currency risk, interest risk and diamond price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows:

Credit risk

Credit risk is the risk of potential loss to the Group if counterparties to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, trade and other receivables and loans to related parties. The carrying values of the Group's cash and cash equivalents, trade and other receivables and loans to related parties represents the maximum exposure to credit risk.

The Group limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. The Group does not have financial assets that are invested in asset backed commercial paper.

The Group minimizes its credit risk by reducing credit terms to 30 days on its sales. The ageing of trade and other receivables at the reporting date was:

	28 February 2015 - Carrying amount	28 February 2015 - Impairment	28 February 2014 - Carrying amount	28 February 2014 - Impairment
Not past due	4 015	389	6 154	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
More than one year	-	-	-	-

The current carrying values represent the Group's maximum exposure to credit risk.

Amounts in Canadian Dollars ('000)

32. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. After taking into account cash flows from operations and the Group's holdings of cash and cash equivalents, the Group believes that these sources will be sufficient to cover the likely requirements for the foreseeable future. The Group's cash and equivalents are invested in business accounts which are available on demand for the Group's capital programs, and which are not invested in any asset backed deposits/investments.

The Group operates in South Africa. The Group is subject to currency exchange controls administered by the South African Reserve Bank, that country's central bank. A significant portion of the Group's funding structure for its South African operations consists of advancing loans to its South Africa incorporated subsidiaries and it is possible the Company may not be able to acceptably repatriate such funds once those subsidiaries are able to repay the loans or repatriate other funds such as operating profits should any develop. The repatriation of cash held in South Africa is permitted upon the approval of the South African Reserve Bank. Cash balances in South Africa are disclosed below.

The following are the contractual maturities of financial liabilities at carrying values (excluding future interest payments):

28 February 2015
Non-derivative financial liabilities

	Carrying amount	Contractual cash flow	2016	2017	2018-2020
Trade and other payables	6 568	6 568	6 568	-	-
Loans from related parties	162	162	162	-	-
Bank overdraft	-	-	-	-	-
Finance lease obligations	1 984	1 984	708	1 276	-
Loans and borrowings	6 140	6 140	2 296	3 844	

28 February 2014
Non-derivative financial liabilities

	Carrying amount	Contractual cashflow	2015	2016	2017-2019
Trade and other payables	6 633	6 633	6 633	-	-
Loans from related parties	4	4	4	-	-
Bank overdraft	3 085	3 085	3 085	-	-
Finance lease obligations	275	275	165	110	-
Loans and borrowings	5 195	5 195	-	2 000	3 195

The Group incurred a loss of $14.5 million (2014 : $10.4 million) for the year ended 28 February 2015 and as at this date its current liabilities exceeded its current assets by $0.28 million (2014 : $1.7 million). As referred in note 1.2, the Group concluded that it has, or has access to, sufficient funds to settle its liabilities as they fall due.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income of the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Amounts in Canadian Dollars ('000)

32. Financial risk management (continued)

Foreign currency risk

In the normal course of business, the Group enters into transactions for the purchase of supplies and services denominated in ZAR. In addition, the Group has cash and certain liabilities denominated in ZAR. As a result, the Group is subject to currency risk from fluctuations in foreign exchange rates. The Group has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

The exposure of the Group's financial assets and liabilities to currency risk is as follows:

Foreign currency exposure at the end of the reporting period

Assets

United States Dollar		
Cash and cash equivalents	11	8
Total financial assets denominated in currency different to the functional currency of the respective Group entity	11	8

Exchange rates used for conversion of foreign operations were:

CDN vs. ZAR - Annual average rate	0,1028	0,1049
CDN vs. ZAR - Year end spot rate	0,1070	0,1032
CDN vs. USD - Annual average rate	1,1266	1,0467
CDN vs. USD - Year end spot rate	1,2508	1,1074

Sensitivity analysis:

The Group does not have any significant financial instruments exposed to currencies different to the functional currency of the respective Group entity. Therefore the Group is not significantly exposed to foreign currency movements through profit or loss.

Interest rate risk

The Group is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Group's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when the cash equivalents mature impact interest income earned.

The Group has finance lease obligations with several financial institutions (note 13) as well as a loan from the Industrial Development Corporation of South Africa Limited (notes 9 and 12). These obligations bear interest at rates linked to the prevailing prime rate, and are subject to interest rate change risk.

Sensitivity analysis:

A 100 basis point increase/decrease in the prime rate for the year ended 28 February 2015 would have a net loss/gain effect on profit or loss before tax of $36 (28 February 2014 – $2). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Amounts in Canadian Dollars ('000)

32. Financial risk management (continued)

Business risk - Diamond price risk

The value of the Group's mineral resource properties is dependent on the price and the outlook of diamonds. Diamond demand and prices fluctuate and are affected by numerous factors beyond the control of the Group, including worldwide economic trends, worldwide levels of diamond discovery and production, and the level of demand for and discretionary spending on, luxury goods such as diamonds and jewelry. Low or negative growth in the worldwide economy, prolonged credit market disruptions or activities creating disruptions in economic growth could result in decreased demand for diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production could also negatively affect the price of diamonds. In each case, such developments could materially adversely affect the Group's results of operations.

The profitability of the Group's operations is highly correlated to the market price of diamonds. If diamond prices decline for a prolonged period below the cost of production of the Group's operating mines, it may not be economically feasible to continue production.

33. List of subsidiaries

Name of subsidiary	Principal place of business	Ownership interest 2015	Ownership interest 2014
HC v Wyk Diamonds Limited 1.	South Africa	100%	100%
Saxendrift Mine Proprietary Limited 1.	South Africa	100%	100%
Jasper Mining Proprietary Limited 3.	South Africa	100%	100%
Etruscan Diamonds Proprietary Limited 2.	South Africa	100%	100%
Blue Gum Diamonds Proprietary Limited 1.	South Africa	74%	74%
N9C Resources Inc. 2.	Cayman Islands	100%	100%
N10C Resources Inc. 2.	Cayman Islands	100%	100%
N11C Resources Inc. 2.	Cayman Islands	100%	100%
Rockwell Resources RSA Proprietary Limited 1.	South Africa	100%	100%
Rockwell Diamonds North West Proprietary Limited 3.	South Africa	100%	100%
Linaplex Proprietary Limited 3.	South Africa	100%	100%
Gumrock Proprietary Limited 1.	South Africa	50%	0%

1. Operating company
2. Investment holding company
3. Dormant

34. Subsequent events

- On 5 January 2015 the Company signed an agreement to acquire certain assets of Bondeo 140 cc (Steyn Transaction) for $29.0 million (ZAR284 million) (subsequently amended on 12 May 2015 to $21.9 million (ZAR214.95 million)). This transaction was subject to a number of conditions precedent including regulatory approvals. At the date of signature of the financial statements, the required approvals and bridging finance had been secured to the end of August 2015; it is envisaged that the Group will take control of this operation on 1 June 2015. Refinancing of the acquisition debt and the Daboll loan (refer note 16) will need to take place during Q2 of fiscal 2016, as described in note 1.2.

- On 30 March 2015, the Group announced that it had reached an agreement to sell its non-core Tirisano property on the North West Province of South Africa for a cash consideration of $6.4 million (ZAR60 million). This transaction is subject to a number of conditions precedent, including regulatory approvals which have been applied for but not yet satisfied at the date of signing the financial statements. The consideration will be settled by way of two initial payments totaling $2.1 million (ZAR20 million), already received in Q1 2016, followed by 20 equal monthly instalments of $0.21 million (ZAR2 million).

- The Group's overdraft expires at the end of May 2015. Negotiations were under way to renew this facility at the date of signing these financial statements.

- On the date of signature of these financial statements the Group and Gump Mining CC concluded an agreement to liquidate Gumrock Mining Proprietary Limited. This has no impact on the amount disclosed in the financial statements.

Apart from the above, management is not aware of any matter or circumstance arising since the end of the financial year requiring amendment to the amounts and disclosures included in these financial statements.

Notes to the Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	Year ended 28 February 2015	Year ended 28 February 2014

35. Consolidated statements of financial performance

For the year ended 28 February 2015, rehabilitation obligation expense has been reclassified to be included in gross loss. In the year ended 28 February 2014, rehabilitation obligation expense was classified below the gross loss total.

Gross profit as previously stated	-	33
Rehabilitation obligation recognized	-	(743)
Gross loss as currently stated	**-**	**(710)**

36. Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest ("NCI"), before any intra-group eliminations.

28 February 2015	**Blue Gum Diamonds Pty Limited**	**Gumrock Mining Pty Limited**	**Intra-group eliminations**	**Total**
NCI percentage	26%	50%		
Non-current assets	-	29		
Current assets	3 670	91		
Non-current liabilities	-	(1 251)		
Current liabilities	(24 484)	(83)		
Net assets	(20 814)	(1 214)		
Carrying amount of NCI	(5 412)	(607)	3 650	(2 369)
Revenue	16 494	472		
Profit (loss)	340	(1 268)		
Other comprehensive income	464	(23)		
Total comprehensive income	804	(1 291)		
Profit (loss) allocated to NCI	88	(634)	-	(546)
Other comprehensive income allocated to NCI	(60)	(26)	-	(86)

28 February 2014	**Blue Gum Diamonds Pty Limited**	**Gumrock Mining Pty Limited**	**Intra-group eliminations**	**Total**
NCI percentage	26%	50%		
Non-current assets	1 709	-		
Current assets	1 627	-		
Non-current liabilities	(18 836)	-		
Current liabilities	(4 681)	-		
Net assets	(20 181)	-		
Carrying amount of NCI	(5 247)	-	3 510	(1 737)
Revenue	8 725	-		
Profit	734	-		
Other comprehensive income	(1 621)	-		
Total comprehensive income	(887)	-		
Profit allocated to NCI	191	-	-	191
Other comprehensive income allocated to NCI	209	-	-	209