

**Rockwell Diamonds Inc.**  
Unaudited Interim Consolidated Financial Statements  
for the period ended 31 May 2015

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Index

---

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

<b>Index</b>	<b>Page</b>
Consolidated Statements of Financial Position	2
Consolidated Statements of Financial Performance	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Accounting Policies	7 - 8
Notes to the Unaudited Interim Consolidated Financial Statements	9 - 31

The unaudited interim consolidated financial statements set out on pages 2 to 31, which have been prepared on the going concern basis, were approved by the board on 14 July 2015 and were signed on its behalf by:

---

**James Campbell**

**Director**

---

**Dr Mark Bristow**

**Director**

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Consolidated Statements of Financial Position

Amounts in Canadian Dollars ('000)	Note(s)	As at 31 May 2015	As at 28 February 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Mineral property interests	2	27 385	16 518
Investment in associates	3	413	396
Property, plant and equipment	4	38 181	27 001
Investments and deposits	5	1 492	1 502
Rehabilitation deposits	13	3 990	3 376
<b>Total non-current assets</b>		<b>71 461</b>	<b>48 793</b>
<b>Current assets</b>			
Inventories		2 403	2 177
Loans to related parties	14	-	8
Current tax receivable		35	37
Trade and other receivables		8 727	4 889
Cash and cash equivalents	6	952	576
Assets held for sale	7	-	13 525
<b>Total current assets</b>		<b>12 117</b>	<b>21 212</b>
<b>Total assets</b>		<b>83 578</b>	<b>70 005</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	9	147 435	147 435
Reserves		(11 372)	(8 575)
Retained loss		(107 222)	(102 076)
Total equity attributable to the equity holders of the Group		28 841	36 784
Non-controlling interest		(661)	(2 369)
<b>Total equity</b>		<b>28 180</b>	<b>34 415</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	11	1 068	3 844
Finance lease obligation		1 050	1 276
Deferred tax	12	4 692	2 995
Rehabilitation obligation	13	6 768	5 987
<b>Total non-current liabilities</b>		<b>13 578</b>	<b>14 102</b>
<b>Current liabilities</b>			
Loans from related parties	14	176	162
Loans and borrowings	11	27 315	2 296
Finance lease obligation		688	708
Trade and other payables		11 390	10 902
Bank overdraft	6	2 251	-
Liabilities held for sale	7	-	7 420
<b>Total current liabilities</b>		<b>41 820</b>	<b>21 488</b>
<b>Total liabilities</b>		<b>55 398</b>	<b>35 590</b>
<b>Total equity and liabilities</b>		<b>83 578</b>	<b>70 005</b>

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Consolidated Statements of Financial Performance

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended 31 May 2015	3 months ended 31 May 2014
Sale of diamonds	19	8 269	9 709
Beneficiation income	19	970	5 428
Cost of sales before amortisation and depreciation	20	(12 349)	(10 874)
<b>Gross (loss) profit before amortization and depreciation</b>		<b>(3 110)</b>	<b>4 263</b>
Amortization of mineral property interests	2	(109)	(237)
Depreciation of property, plant and equipment	4	(1 300)	(1 419)
Rehabilitation obligation recognized		(33)	(120)
<b>Gross (loss) profit</b>		<b>(4 552)</b>	<b>2 487</b>
Other income		372	(68)
General, administration and business development expenses		(1 604)	(1 497)
Loss on sale of subsidiary	8	(1 774)	-
Realized foreign exchange with sale of subsidiary		1 276	-
<b>(Loss) profit before net finance costs</b>	21	<b>(6 282)</b>	<b>922</b>
Finance income	22	39	129
Finance costs	23	(304)	(187)
<b>(Loss) profit after net finance costs</b>		<b>(6 547)</b>	<b>864</b>
Share of profit from equity accounted investments	3	33	34
<b>(Loss) profit before taxation</b>		<b>(6 514)</b>	<b>898</b>
Taxation	24	1 334	(553)
<b>(Loss) profit for the period</b>		<b>(5 180)</b>	<b>345</b>
<b>(Loss) profit attributable to :</b>			
Owners of the parent		(5 146)	405
Non-controlling interest		(34)	(60)
		<b>(5 180)</b>	<b>345</b>
<b>(Loss) earnings per share</b>			
Basic and diluted (loss) earnings per share (cents)	25	(9.43)	0.76

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Consolidated Statements of Comprehensive Income

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended 31 May 2015	3 months ended 31 May 2014
<b>(Loss) profit for the period</b>		<b>(5 180)</b>	<b>345</b>
<b>Other comprehensive income net of taxation</b>			
Items that are or may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(1 489)	(253)
Realized foreign exchange differences with sale of subsidiary		(1 276)	-
<b>Other comprehensive income for the period net of taxation</b>		<b>(2 765)</b>	<b>(253)</b>
<b>Total comprehensive income</b>		<b>(7 945)</b>	<b>92</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Group		(7 975)	141
Non-controlling interest		30	(49)
<b>Total comprehensive income for the period</b>		<b>(7 945)</b>	<b>92</b>

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Consolidated Statements of Changes in Equity

	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
Amounts in Canadian Dollars ('000)								
<b>Balance at 01 March 2014</b>	<b>147 073</b>	<b>(18 799)</b>	<b>8 790</b>	<b>(10 009)</b>	<b>(88 096)</b>	<b>48 968</b>	<b>(1 737)</b>	<b>47 231</b>
<i>Total comprehensive income for the period</i>								
Profit (loss) for the period	-	-	-	-	405	405	(60)	345
Other comprehensive income	-	(264)	-	(264)	-	(264)	11	(253)
Total comprehensive income for the year	-	(264)	-	(264)	405	141	(49)	92
Share-based payment expense	-	-	113	113	-	113	-	113
Total changes	-	(264)	113	(151)	405	254	(49)	205
<b>Balance at 31 May 2014</b>	<b>147 073</b>	<b>(19 063)</b>	<b>8 903</b>	<b>(10 160)</b>	<b>(87 691)</b>	<b>49 222</b>	<b>(1 786)</b>	<b>47 436</b>
<b>Balance at 01 March 2015</b>	<b>147 435</b>	<b>(17 605)</b>	<b>9 030</b>	<b>(8 575)</b>	<b>(102 076)</b>	<b>36 784</b>	<b>(2 369)</b>	<b>34 415</b>
<i>Total comprehensive income for the period</i>								
Loss for the period	-	-	-	-	(5 146)	(5 146)	(34)	(5 180)
Other comprehensive income	-	(2 829)	-	(2 829)	-	(2 829)	64	(2 765)
Total comprehensive income for the year	-	(2 829)	-	(2 829)	(5 146)	(7 975)	30	(7 945)
Share-based payment expense	-	-	32	32	-	32	-	32
Sale of subsidiary (note 8)	-	-	-	-	-	-	1 678	1 678
Total changes	-	(2 829)	32	(2 797)	(5 146)	(7 943)	1 708	(6 235)
<b>Balance at 31 May 2015</b>	<b>147 435</b>	<b>(20 434)</b>	<b>9 062</b>	<b>(11 372)</b>	<b>(107 222)</b>	<b>28 841</b>	<b>(661)</b>	<b>28 180</b>
Note(s)	9		10					

\* 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.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Consolidated Statements of Cash Flows

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended 31 May 2015	3 months ended 31 May 2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		8 862	15 129
Cash paid to suppliers and employees		(13 882)	(14 006)
Cash (utilised in) generated from operations	17	(5 020)	1 123
Finance income		39	41
Finance costs		(111)	(70)
<b>Net cash (outflow) inflow from operating activities</b>		<b>(5 092)</b>	<b>1 094</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(260)	(489)
Proceeds from sale of property, plant and equipment		-	356
Purchase of mineral property interests	2	-	(283)
Sale of mineral property interests	2	515	-
Acquisition of subsidiary and business combination	16	(1 708)	-
Investment in joint venture	3	-	(103)
Proceeds from sale of subsidiary	8	2 266	-
Increase in related party loans		20	75
Increase in investments and deposits		(71)	(324)
Increase in rehabilitation deposits		(34)	63
<b>Net cash inflow (outflow) from investing activities</b>		<b>728</b>	<b>(705)</b>
<b>Cash flows from financing activities</b>			
Proceeds from (repayment of) loans and borrowings		1 921	(3)
Repayment of finance lease obligations		(208)	(78)
<b>Net cash inflow (outflow) from financing activities</b>		<b>1 713</b>	<b>(81)</b>
<b>Net movement in cash and cash equivalents for the period</b>		<b>(2 651)</b>	<b>308</b>
Cash and cash equivalents at the beginning of the period		576	(1 761)
Cash and cash equivalents released from assets held for sale	7	776	-
<b>Total cash and cash equivalents at end of the period</b>	6	<b>(1 299)</b>	<b>(1 453)</b>

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Accounting Policies

---

The accompanying notes are an integral part of these unaudited interim 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 unaudited interim consolidated financial statements of the Company as at 31 May 2015 and 28 February 2015 and for the three month periods ended 31 May 2015 and 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 \$5.2 million (2014: \$0.3 million profit) for the period ended 31 May, 2015. As of this date its current liabilities exceed its current assets by \$29.7 million, including the bridging finance described below (2014: \$0.4 million assets exceeded liabilities). The directors have 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. Certain uncertainties as at February 28, 2015, were disclosed as follows:

- On 5 January 2015 the Company signed an agreement to acquire certain assets of Bondeo 140 cc ("the Acquisition") 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. Approvals and bridging finance were secured to complete the Acquisition and the Group took control of the operations on 28 May 2015; this uncertainty is thus now mitigated;
- The bridging finance referred to above will require refinancing by the end of August 2015. The Company intends refinancing this debt through capital markets but should the Company be unable to secure refinancing, current arrangements provide for repayment through retentions of rough diamond sales and of beneficiation revenue until fully repaid, and as such this uncertainty is mitigated;
- The Company is negotiating financing of the moveable plant acquired through the Steyn transaction to the value of \$5.1 million (ZAR50 million) with various counterparties; and
- The Group has an overdraft facility of \$2.9 million (ZAR27 million) with Standard Bank which is currently under renegotiation.

In addition, the Acquisition has been performing at expected grades and values since assumption of operations up to the date of the issuance of these quarterly financial statements. Given these developments, and based on the assumptions that such aggregate financing will be 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 unaudited interim consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies applied in the unaudited interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 28 February 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### 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 unaudited interim consolidated financial statements are presented in Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except as otherwise indicated.



# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## 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 to the consolidated financial statements for the year ended February 28, 2015:

- 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 applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at and for the year ended 28 February 2015, except for the following standards and interpretations adopted in the current financial period:

- Amendments to 6 standards Improvements to IFRSs 2010-2012 Cycle
- Amendments to 4 standards Improvements to IFRSs 2011-2013 Cycle

These changes have had no significant impact on the measurement of the Group's assets and liabilities.

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

Standards and interpretations issued but not yet effective:

##### Effective for the financial year commencing 1 March 2016

- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to 4 standards Improvements to IFRSs 2012-2014 Cycle
- IFRS 10, IFRS 12 and IAS 27 Investment Entities: Applying the Consolidation Exception
- IAS 1 Disclosure Initiative

##### Effective for the financial year commencing 1 March 2017

- IFRS 15 Revenue from contracts with customers

##### Effective for the financial year commencing 1 March 2018

- IFRS 9 Financial Instruments

All standards and Interpretations will be adopted at their effective date. Management is currently in the process of assessing the applicability and impact of the above-mentioned, if any.

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

#### 2. Mineral property interests

	As at 31 May 2015			As at 28 February 2015		
	Cost	Accumulated amortization and impairment losses	Carrying value	Cost	Accumulated amortization and impairment losses	Carrying value
Mineral property interests	30 481	(3 096)	27 385	20 406	(3 888)	16 518

#### Reconciliation of mineral property interests - 31 May 2015

	Opening balance	Additions through business combinations (note 16)	Disposals	Foreign exchange movements	Amortization	Closing balance
Mineral property interests	16 518	12 151	(350)	(825)	(109)	27 385

#### Reconciliation of mineral property interests - 28 February 2015

	Opening balance	Additions	Transfer to assets held for sale (note 7)	Foreign exchange movements	Amortization	Impairments	Closing balance
Mineral property interests	26 642	663	(8 000)	582	(793)	(2 576)	16 518

## **Rockwell Diamonds Inc.**

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### **Notes to the Unaudited Interim Consolidated Financial Statements**

---

Amounts in Canadian Dollars ('000)

---

#### **2. Mineral property interests (continued)**

Details of the Group's mineral property interests are disclosed in its annual consolidated financial statements as at and for the year ended 28 February 2015. Material changes are as follows:

- Purchase of Bo-Karoo, Remhoogte and Holsloot properties as part of the Steyn transaction (refer note 16); and
- Sale of Saxendrift Extension property for \$0.5 million.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

	As at 31 May 2015	As at 28 February 2015
--	----------------------	---------------------------

### 3. Investment in associates

#### Associates

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

##### Carrying amount

Opening balance	396	233
Share of profit from equity accounted investment	33	149
Foreign exchange movements	(16)	14
<b>Closing balance</b>	<b>413</b>	<b>396</b>

The associate had no other comprehensive income for the 3 months ended 31 May 2015 (3 months ended 31 May 2014: \$Nil).

#### Summarised financial information of associate - (100% interest)

Current assets	5 519	14 511
Non-current assets	745	776
Total assets	6 264	15 287
Current liabilities	4 793	13 325
Non-current liabilities	-	-
Total liabilities	4 793	13 325
Net assets	1 471	1 962
Revenue	23 082	105 643
Total comprehensive income for the year	166	743
Capital commitments and contingent liabilities of associate	-	-

The Group holds 20% of Flawless Diamonds Trading House Proprietary Limited ("Flawless") incorporated in the Republic of South Africa. Flawless is a registered diamond broker which provides specialist diamond valuation, marketing and tender sales services to the Group.

The Group has significant influence over Flawless' operations and accounts for its 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.

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

#### 4. Property, plant and equipment

	As at 31 May 2015			As at 28 February 2015		
	Cost	Accumulated depreciation and impairment losses	Net carrying value	Cost	Accumulated depreciation and impairment losses	Net carrying value
Land and buildings	4 110	(952)	3 158	3 495	(1 019)	2 476
Plant and machinery	61 711	(28 478)	33 233	51 249	(28 366)	22 883
Motor vehicles	1 148	(793)	355	1 197	(810)	387
Office equipment	1 000	(869)	131	1 043	(879)	164
Construction in progress	1 304	-	1 304	1 091	-	1 091
	<b>69 273</b>	<b>(31 092)</b>	<b>38 181</b>	<b>58 075</b>	<b>(31 074)</b>	<b>27 001</b>

#### Reconciliation of property, plant and equipment - 31 May 2015

	Opening balance	Additions	Additions through business combinations (note 16)	Foreign exchange movements	Depreciation	Closing balance
Property, plant and equipment	27 001	260	13 385	(1 165)	(1 300)	38 181

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 28 February 2015

	Opening balance	Additions	Transfer to assets held for sale (note 7)	Disposals	Foreign exchange movements	Depreciation	Impairment loss	Closing balance
Property, plant and equipment	30 719	4 070	(1 448)	(633)	1 004	(6 273)	(438)	27 001

##### The impairment loss represents

	3 months ended 31 May 2015	Year ended 28 February 2015
Saxendrift Hill Complex - High Wall	-	62
Earthmoving vehicles	-	376
	-	<b>438</b>

Impairments for the year ended 28 February 2015 were calculated 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 proposed 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 at that time.

Certain earthmoving vehicles are rebuilt as they have come to the end of their useful life. Therefore the initial carrying values prior to the rebuilds are impaired to zero. This resulted in an impairment of \$0.4 million in Q4 2015.

The following assets are subject to finance lease obligations; plant and machinery with a net carrying value of \$2.5 million (28 February 2015: \$2.6 million) and motor vehicles with a net carrying value of \$0.09 million (28 February 2015: \$0.1 million) totalling \$2.6 million (28 February 2015: \$2.8 million).

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

As at 31 May  
2015

As at 28  
February 2015

### 5. Investments and deposits

#### At fair value through profit or loss

Investments	1 428	1 436
-------------	-------	-------

The Group invests in insurance policies with endowment benefits on maturity of the policies in order to provide funding for the rehabilitation obligations. Fair value represents the surrender value of these investments. These policies are encumbered by the guarantees issued on behalf of the Group to the South African Department of Mineral Resources (refer notes 13 and 26).

#### At amortized cost

Deposits	64	66
----------	----	----

Deposits paid to the South African national electricity supplier.

#### Total investments and deposits

<b>1 492</b>	<b>1 502</b>
--------------	--------------

#### Non-current assets

At fair value through profit or loss	1 428	1 436
At amortized cost	64	66

<b>1 492</b>	<b>1 502</b>
--------------	--------------

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	2
Bank balances	952	574
	952	576
Bank overdraft	(2 251)	-
	<b>(1 299)</b>	<b>576</b>
Current assets	952	576
Current liabilities	(2 251)	-
	<b>(1 299)</b>	<b>576</b>

The Group has an overdraft facility in the amount of ZAR27.0 million (\$2.9 million) available for its operations of which \$2.3 million 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, by Rockwell Resources RSA Proprietary Limited and HC van Wyk Diamonds Limited, and the cession of an investment policy. Renewal of the Group's overdraft facility is currently in the process of negotiation.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

As at 31 May  
2015

As at 28  
February 2015

### 7. 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 (\$6.2 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 to 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. Accordingly these assets and liabilities were presented as a disposal group held for sale at February 28, 2015.

The sale was effective March 27, 2015 and is expected to close within 12 months, after the successful completion of suspensive conditions, including required regulatory approvals. The cash consideration will be settled by way of two initial payments totaling ZAR20 million (\$2.06 million), already received in Q1 2016, followed by 20 equal monthly instalments of ZAR2 million (\$0.21 million), of which one has been received in Q1 2016.

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 27). 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 was not considered to be a discontinued operation. Although regarded as a separate segment it was not considered to represent a separate line of business or geographical area.

#### Assets and liabilities

##### 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
	<hr/>
	<b>13 525</b>

##### Liabilities held for sale

Loans and borrowings	3 697
Rehabilitation obligation	2 117
Trade and other payables	1 606
	<hr/>
	<b>7 420</b>



# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

As at 31 May  
2015

As at 28  
February 2015

### 8. Sale of subsidiary

The consortium (refer note 7) assumed control of Tirisano on March 28, 2015, and therefore the Group accounted for the sale as of that date. 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), of which 1 had been received during Q1 2016. Therefore as at May 31, 2015, ZAR38 million (\$3.9 million) was outstanding on the sale price.

#### Carrying value of assets sold

Property, plant and equipment	1 417
Mineral property interests	8 000
Rehabilitation obligation	(2 072)
Rehabilitation deposits	1 739
Trade and other receivables	1 142
Trade and other payables	(238)
Loans and borrowings	(3 720)
Loan to related party	8
Outside shareholders	1 678
Total net assets sold	<u>7 954</u>
Net assets sold	7 954
Loss on disposal	(1 774)
	<u><b>6 180</b></u>

#### Consideration received

Cash	2 266
Deferred consideration	3 914
	<u><b>6 180</b></u>

### 9. Share capital

#### Reconciliation of number of shares issued:

	Number of shares	Number of shares
Beginning of period	54 558 244	53 523 244
Shares issued to employees (note 10)	-	960 000
Share options exercised	-	75 000
<b>End of period</b>	<u><b>54 558 244</b></u>	<u><b>54 558 244</b></u>

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 \$Nil million (28 Feb 2015: \$0.01 million).

The following shares are reserved for issue:

- Employee share options	3,336,688
- Daboll loan (note 11)	12,235,686

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

### 10. 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 requires 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 9) are issues to employees and consultants.

#### **Share-based payment expenses:**

	<b>3 months ended 31 May 2015</b>	<b>3 months ended 31 May 2014</b>
Share options granted in prior years	32	113
Share options granted in current year	-	-
<b>Total share-based payment cost expensed to operations, with the offset credited to share-based payment reserve</b>	<b>32</b>	<b>113</b>

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

As at 31 May  
2015

As at 28  
February 2015

### 11. Loans and borrowings

#### Held at amortized cost

##### *Daboll loan*

1 991

1 967

On 2 June 2011, the Group signed a Convertible Loan Agreement with Daboll Consultants Limited to lend the Group \$2 million.

Prior to 26 June 2015 the loan was repayable at the election of the borrower.

The loan was 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. The loan and interest were not converted and became payable on demand post 26 June 2015.

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 14).

##### *Convertible debentures*

4 226

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. Separate 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).

As a condition for entering the Bridging loan agreement with Diacore below, the Daboll convertible debenture (including the demand loan) above has been surrendered in exchange for a loan payable upon maturity of the Diacore bridging loan.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

As at 31 May  
2015

As at 28  
February 2015

### 11. Loans and borrowings (continued)

#### *Bridging loan*

22 166

-

Bridging loans were obtained from Diacore (via Ascot Diamonds Proprietary Limited) (\$20.4 million) and Mark Bristow (\$1.8 million) in order to meet the transaction timeline for the acquisition of Bondeo 140 cc.

The total loans amounted to US\$16.5 million plus ZAR16 million, of which US\$1.5 million was committed by Mark Bristow and US\$15.0 plus ZAR16 million committed by Diacore.

The initial term of the loan is for a period of three months ("first period"), extendable for a further month if the Company has called a shareholder meeting to approve any required amendments to the loan; Interest will be payable at 1.25% per month for the first period of three months. There are no broker's or similar fees associated with this transaction.

The Company plans to refinance the bridging loan in the Q2 2016. Should this refinancing not be completed by the end of the term of the loan, any outstanding balance must be repaid through a sweep mechanism from (up to) 25% of rough diamond sales and (up to) 100% of beneficiation revenue until fully repaid.

The total loan amounts are secured by a first security charge over movable assets in Saxendrift Mine Proprietary Limited, including those acquired in note 16.

---

**28 383**

**6 140**

---

#### **Non-current liabilities**

At amortized cost

---

1 068

3 844

---

#### **Current liabilities**

At amortized cost

---

27 315

2 296

---

**28 383**

**6 140**

---

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

As at 31 May  
2015

As at 28  
February 2015

### 12. Deferred tax

#### Deferred tax liability

Mineral property interests	(5 783)	(2 743)
Property, plant and equipment	(1 878)	(2 270)
	<u>(7 661)</u>	<u>(5 013)</u>

#### Deferred tax asset (recognized)

Rehabilitation obligation	1 060	973
Tax loss recognized	1 768	1 024
Other	141	21
	<u>2 969</u>	<u>2 018</u>
	<b>(4 692)</b>	<b>(2 995)</b>

#### Reconciliation of net deferred tax liability

At beginning of the period / year	(2 995)	(5 926)
Foreign exchange movement	82	(60)
Recognized in profit or loss	1 334	2 991
Acquisition of subsidiary and business combination (note 16)	(3 113)	-
	<u>(4 692)</u>	<u>(2 995)</u>

#### 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.

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

#### 13. Rehabilitation obligation

##### Reconciliation of obligation - 31 May 2015

	Opening balance	Rehabilitation obligation recognised / (revised)	Foreign exchange movements	Acquisition of subsidiary (note 16)	Closing balance
Rehabilitation obligation	5 987	33	(246)	994	6 768

##### Reconciliation of obligation - 28 February 2015

	Opening balance	Rehabilitation obligation recognised / (revised)	Foreign exchange movements	Transfer to non-current liabilities held for sale (note 7)	Unwinding	Closing balance
Rehabilitation obligation	6 459	993	293	(2 117)	359	5 987

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Notes to the Unaudited Interim Consolidated Financial Statements

---

Amounts in Canadian Dollars ('000)

---

#### 13. Rehabilitation obligation (continued)

Rehabilitation costs, which are estimated 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 31 May 2015, the Group had cash rehabilitation deposits totaling \$4.0 million (28 February 2015 – \$3.4 million) comprised of \$3.3 million (28 February 2015 – \$3.4 million) for the Wouterspan mine, \$Nil (28 February 2015 – \$Nil) for the Saxendrift mine and \$0.7 million (28 February 2015 – \$Nil million) for the Remhoogte and Holsloot 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).

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

	As at 31 May 2015	As at 28 February 2015
--	----------------------	---------------------------

### 14. Related party balances

#### Balances payable

Seven Bridges Trading (a)	5	5
Gump Mining (f)	171	157
Current balances payable	176	162
<b>Loans from related parties</b>	<b>176</b>	<b>162</b>

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

#### Balances receivable

Mogopa Minerals (c)	-	8
Current balances receivable	-	8
<b>Loans to related parties</b>	<b>-</b>	<b>8</b>

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

#### Loans and borrowings include the following amounts due to related parties

Daboll (d) - convertible loan	1 991	1 967
Daboll (d) - convertible debenture	2 824	2 789
Daboll (d) - demand loan	242	239
Diacore (e) - bridging loan	20 371	-
Emerald (g) - convertible debenture	1 068	1 055
Emerald (g) - demand loan	91	90
Emerald (g) - bridging loan	1 796	-

#### Receivables from related party included under trade and other receivables

Diacore (e)	3 353	2 891
-------------	-------	-------



# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 31 May 2015	3 months ended 31 May 2014
------------------------------------	-------------------------------------	-------------------------------------

### 15. Related party transactions

#### Related party transactions for the 3 months ended 31 May 2015 (3 months ended 31 May 2014)

##### Services rendered and expenses reimbursed:

Seven Bridges Trading (a)	12	11
Mogopa Minerals (c)	12	28
Flawless (b)	95	158

##### Sales rendered to:

Sale of diamonds - Diacore (e)	6 655	6 567
Beneficiation income - Diacore (e)	970	5 428

##### Finance cost include the following amounts paid to related parties

Daboll (d)	63	109
Emerald (g)	27	15
Diacore (e)	25	-

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) 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.
- (d) 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.
- (e) 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.
- (f) Gump Mining Proprietary Limited ("Gump Mining") owns a 50% interest in Gumrock Mining Proprietary Limited, a subsidiary company.
- (g) Emerald Holdings Limited ("Emerald") is an investment company in which Dr. D M Bristow, a director of the Company, has a financial interest.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 31 May 2015	3 months ended 31 May 2014
------------------------------------	-------------------------------------	-------------------------------------

### 16. Acquisition of subsidiary and business combination

#### 16.1. Business combination

On June 25, 2015, Rockwell announced the closing of the Bondeo 140 cc acquisition ("Steyn Transaction"), and assumed control on May 28, 2015. All required approvals and bridging finance have been secured to end of August 2015.

The transaction was effective May 28, 2015, and all acquisition entries are accounted for in Q1 2016. From a practical point of view, the 3 days of operations to end May 2015 will be accounted for in Q2 2016, and are not considered material to the Q1 2016 results of Rockwell.

The acquisition was accounted for as an acquired business in terms of IFRS 3: Business Combinations.

The movable assets acquired have been included in a first security charge securing the bridging loan from Diacore as per note 11.

#### The following summarises the fair value of assets and liabilities acquired

Mineral property interests	12 151
Property, plant and equipment	13 385
Deferred tax	(3 113)
Rehabilitation deposits	724
Rehabilitation obligation	(994)
Other liabilities	(99)
<b>Total identifiable net assets</b>	<b>22 054</b>

#### The Group financed the purchase consideration through

Cash	(513)
Bridging finance - Diacore (paid directly by vendor to seller)	(20 346)
Bridging finance - Mark Bristow	(1 195)
	<b>(22 054)</b>

#### Net cash outflow on acquisition

Cash consideration paid	(1 708)
-------------------------	---------

#### 16.2. Acquisition of subsidiary

As part of the Steyn Transaction, Rockwell acquired 100% of the share capital in Pioneer Minerals Proprietary Limited ("Pioneer"), an unlisted entity, for an amount of \$6.2 million. Pioneer owns the mining right in the Remhoogte property.

The \$6.2 million is included in the Mineral property interests above.

## Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

### Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 31 May 2015	3 months ended 31 May 2014
<b>17. Cash generated from operations</b>		
(Loss) profit before taxation	(6 514)	898
<b>Adjustments for:</b>		
Depreciation and amortization	1 409	1 656
Loss on disposal of property, plant and equipment	-	227
Profit on disposal of mineral properties	(165)	-
Loss on sale of subsidiary	1 774	-
Share of profit from equity accounted investment	(33)	(34)
Finance income	(39)	(129)
Finance costs	304	187
Rehabilitation obligation recognized	33	120
Share-based payment expense	32	113
Realized foreign exchange with sale of subsidiary	(1 276)	-
Write down to net realizable value of diamond inventories	(1 092)	-
<b>Changes in working capital:</b>		
Inventories	717	(4 297)
Trade and other receivables	(229)	2 042
Trade and other payables	59	340
	<b>(5 020)</b>	<b>1 123</b>
<b>18. Tax paid</b>		
Balance at beginning of the period	37	36
Current tax for the period recognised in profit or loss	-	-
Exchange rate movements	(2)	(1)
Balance at end of the period	(35)	(35)
	-	-

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 31 May 2015	3 months ended 31 May 2014
------------------------------------	-------------------------------------	-------------------------------------

### 19. Revenue

Sale of diamonds	8 269	9 709
Beneficiation income	970	5 428
	<b>9 239</b>	<b>15 137</b>

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.

### 20. Cost of sales before amortisation and depreciation

Mining	5 273	4 356
Employee cost	2 348	2 360
Processing	745	1 091
Contract mining	1 190	1 907
Other	1 339	1 539
Royalties	5	44
<b>Production cost</b>	<b>10 900</b>	<b>11 297</b>
Inventory movement	(365)	(2 779)
Royalty mining	932	2 356
Business restructuring	882	-
	<b>12 349</b>	<b>10 874</b>

### 21. (Loss) profit before net finance costs

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

Loss on sale of property, plant and equipment	-	227
Profit on disposal of mineral property interests	(165)	-
Loss on sale of subsidiary (note 8)	1 774	-
Realized foreign exchange with sale of subsidiary *	(1 276)	-
Depreciation on property, plant and equipment	1 300	1 419
Amortization on mineral property interests	109	237
Salaries and wages	398	366
Share based payment expense	32	112
General, administration and business development expenses		
- General and administration expenses	1 234	1 497
- Business development expenses	370	-

\* Realization of foreign currency reserve relating to the sale of Tirisano, resulting in a profit of \$1.3 million. There is no cashflow effect.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 31 May 2015	3 months ended 31 May 2014
<b>22. Finance income</b>		
Bank	39	41
Fair value adjustments on other financial assets	-	88
	<b>39</b>	<b>129</b>
<b>23. Finance costs</b>		
Loans and borrowings	147	-
Finance lease obligation	44	6
Bank	79	181
Other	34	-
	<b>304</b>	<b>187</b>
<b>24. Taxation</b>		
<b>Major components of the tax income</b>		
<b>Deferred tax</b>		
Movement in deferred tax balance recognized through profit or loss	(1 334)	553

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 31 May 2015	3 months ended 31 May 2014
------------------------------------	-------------------------------------	-------------------------------------

### 25. (Loss) earnings per share

#### Basic and diluted (loss) earnings per share

Cents per share	(9.43)	0.76
-----------------	--------	------

Basic (loss) earnings per share was calculated based on a weighted average number of common shares of 54 558 244 for the 3 months ended 31 May 2015 (3 months ended 31 May 2014: 53 523 244).

#### Reconciliation of (loss) earnings for the year to basic (loss) earnings

(Loss) earnings for the period	(5 180)	345
<b>Adjusted for:</b>		
Loss attributable to non-controlling interest	34	60
<b>Basic (loss) earnings attributable to owners of the Group</b>	<b>(5 146)</b>	<b>405</b>

At 31 May 2015 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 earnings per share

Cents per share	(8.82)	1.12
-----------------	--------	------

#### Reconciliation between basic (loss) earnings and headline (loss) earnings

Basic (loss) earnings attributable to owners of the Group	(5 146)	405
<b>Adjusted for:</b>		
Profit on disposal of mineral properties	(165)	-
Loss on disposal of property, plant and equipment	-	227
Share of profit from equity accounted investment	-	(34)
Loss on sale of subsidiary	1 774	-
Realized foreign exchange with sale of subsidiary	(1 276)	-
Non-controlling interest portion of above adjustments	-	-
<b>Headline (loss) earnings attributable to owners of the Group</b>	<b>(4 813)</b>	<b>598</b>

The basic and diluted headline (loss) earnings 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) earnings per share is provided in accordance with Circular 2/2013 as issued by the South African Institute of Chartered Accountants. Headline (loss) earnings represents the basic (loss) earnings attributable to the owners of the Group excluding certain re-measurements.

At 31 May 2015 the impact of share-based payment options were excluded from the weighted average number of shares, for the purpose of the diluted headline (loss) earnings per share calculation, as the effect would have been anti-dilutive.

### 26. 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; \$0.5 million) and the Department of Minerals and Energy (DME) of ZAR37.8 million (\$3.9 million) (2014: ZAR53.7 million; \$5.5 million) for rehabilitation expenses.

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

### 27. 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 3 months ended 31 May 2015

	Northern Cape	North West	Corporate	Reconciling	Total
Total assets	70 311	-	71 086	(57 819)	83 578
Total liabilities	83 976	-	29 241	(57 819)	55 398
External revenue	8 174	1 065	-	-	9 239
Inter-segment revenue	(1 054)	(55)	1 109	-	-
Loss for the period	(4 355)	(16)	(809)	-	(5 180)

#### As at 28 February 2015

	Northern Cape	North West	Corporate	Reconciling	Total
Total assets	47 415	13 525	65 672	(56 607)	70 005
Total liabilities	63 578	22 007	6 612	(56 607)	35 590

#### For the 3 months ended 31 May 2014

External revenue	12 320	2 817	-	-	15 137
Inter-segment revenue	(773)	(258)	1 031	-	-
Profit (loss) for the period	838	(344)	(149)	-	345

# Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements for the period ended 31 May 2015

## Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

### 28. 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:

	31 May 2015 - Carrying amount	31 May 2015 - Fair value	28 February 2015 - Carrying amount	28 February 2015 - Fair value
<b>Assets carried at fair value</b>				
Investments	1 428	1 428	1 436	1 436
<b>Assets carried at amortized cost</b>				
Deposits	64	64	66	66
Rehabilitation deposits	3 990	3 990	3 376	3 376
Trade and other receivables	8 001	8 001	4 015	4 015
Cash and cash equivalents	952	952	576	576
Loans to related parties	-	-	8	8
<b>Liabilities carried at amortized cost</b>				
Loans and borrowings	28 383	28 383	6 140	6 140
Trade and other payables	6 124	6 124	6 568	6 568
Finance lease obligations	1 738	1 738	1 984	1 984
Loans from related parties	176	176	162	162
Bank overdraft	2 251	2 251	-	-

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

	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value - 31 May 2015</b>				
Investments	1 428	-	-	1 428
<b>Financial assets at fair value - 28 February 2015</b>				
Investments	1 436	-	-	1 436

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.

### 29. Subsequent events

Management is not aware of any matter or circumstance arising since the end of the financial period, requiring amendment to the amounts and disclosures in these financial statements.