Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements
for the period ended 30 November 2016

Index

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

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 15 January 2017 and were signed on its behalf by:

Willem Jacobs	**Dr Mark Bristow**
Director	**Director**

Consolidated Statements of Financial Position

Amounts in Canadian Dollars ('000)	Note(s)	As at 30 November 2016	As at 28 February 2016
Assets			
Non-current assets			
Mineral property interests	2	12 275	23 871
Investment in associates	3	399	452
Property, plant and equipment	4	23 273	25 506
Investments and deposits	5	1 670	1 344
Rehabilitation deposits	11	106	1 103
Total non-current assets		**37 723**	**52 276**
Current assets			
Inventories		1 538	2 100
Trade and other receivables		3 538	4 083
Cash and cash equivalents	6	154	58
Assets held for sale	14	15 689	-
Total current assets		**20 919**	**6 241**
Total assets		**58 642**	**58 517**
Equity and liabilities			
Equity			
Share capital	7	147 472	147 472
Reserves		(14 363)	(13 607)
Retained loss		(135 872)	(130 358)
Total equity		**(2 763)**	**3 507**
Liabilities			
Non-current liabilities			
Loans and borrowings	9	28 497	26 573
Finance lease obligation		-	430
Deferred tax	10	1 499	4 867
Rehabilitation obligation	11	2 041	7 753
Total non-current liabilities		**32 037**	**39 623**
Current liabilities			
Loans from related parties	12	1 222	1 218
Finance lease obligation		650	594
Trade and other payables		16 342	12 185
Bank overdraft	6	1 132	1 390
Liabilities held for sale	14	10 022	-
Total current liabilities		**29 368**	**15 387**
Total liabilities		**61 405**	**55 010**
Total equity and liabilities		**58 642**	**58 517**

Consolidated Statements of Financial Performance

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015
Sale of diamonds	17	2 419	25 092	6 913	27 459
Beneficiation income	17	1 087	4 295	155	9 814
Cost of sales before amortization and depreciation	18	(6 935)	(27 825)	(12 156)	(36 296)
Gross (loss) profit before amortization and depreciation		**(3 429)**	**1 562**	**(5 088)**	**977**
Amortization of mineral property interests		(221)	(1 153)	(391)	(1 247)
Depreciation of property, plant and equipment		(556)	(2 851)	(1 505)	(4 364)
Rehabilitation obligation reversed (recognized)		505	(51)	(56)	(121)
Gross loss		**(3 701)**	**(2 493)**	**(7 040)**	**(4 755)**
Other income		164	434	126	641
General, administration and business development expenses		(754)	(2 462)	(734)	(3 996)
Loss on sale of subsidiary		-	-	(79)	(1 853)
Realized foreign exchange with sale of subsidiary		-	-	-	1 276
Impairment of mineral property interests		(1 265)	(1 265)	-	-
Loss before net finance costs	19	**(5 556)**	**(5 786)**	**(7 727)**	**(8 687)**
Finance income	20	-	19	78	127
Foreign exchange profit (loss) on US$ loans		763	2 395	(1 995)	(4 818)
Finance costs	21	(709)	(2 217)	(875)	(2 216)
Loss after net finance costs		**(5 502)**	**(5 589)**	**(10 519)**	**(15 594)**
Share of profit from equity accounted investment	3	6	75	31	122
Loss before taxation		**(5 496)**	**(5 514)**	**(10 488)**	**(15 472)**
Taxation	22	-	-	1 162	2 112
Loss for the period		**(5 496)**	**(5 514)**	**(9 326)**	**(13 360)**
Loss attributable to :					
Owners of the parent		(5 496)	(5 514)	(9 346)	(13 297)
Non-controlling interest		-	-	20	(63)
		(5 496)	**(5 514)**	**(9 326)**	**(13 360)**
Loss per share					
Basic and diluted loss per share (cents)	23	(10.00)	(10.03)	(17.13)	(24.37)

Consolidated Statements of Comprehensive Income

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015
Loss for the period		**(5 496)**	**(5 514)**	**(9 326)**	**(13 360)**
Other comprehensive income net of taxation					
Items that are or may be reclassified to profit or loss					
Exchange differences on translating foreign operations		(676)	(827)	(1 521)	(2 672)
Realized foreign exchange differences with sale of subsidiary		-	-	-	(1 276)
Other comprehensive income for the period net of taxation		**(676)**	**(827)**	**(1 521)**	**(3 948)**
Total comprehensive income for the period		**(6 172)**	**(6 341)**	**(10 847)**	**(17 308)**
Total comprehensive income attributable to:					
Owners of the Group		(6 172)	(6 341)	(10 917)	(17 378)
Non-controlling interest		-	-	70	70
Total comprehensive income for the period		**(6 172)**	**(6 341)**	**(10 847)**	**(17 308)**

Consolidated Statements of Changes in Equity

Amounts in Canadian Dollars ('000)	Share capital	Foreign currency translation reserve *	Share-based payment reserve **	Convertible instruments reserve	Total net reserves	Retained loss	Total equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 01 March 2015	**147 435**	**(17 605)**	**9 030**	**-**	**(8 575)**	**(102 076)**	**36 784**	**(2 369)**	**34 415**
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(13 297)	(13 297)	(63)	(13 360)
Other comprehensive income	-	(4 081)	-	-	(4 081)	-	(4 081)	133	(3 948)
Total comprehensive income for the period	-	(4 081)	-	-	(4 081)	(13 297)	(17 378)	70	(17 308)
Share-based payment expense	-	-	59	-	59	-	59	-	59
Sale of subsidiary	-	(1 275)	-	-	(1 275)	-	(1 275)	-	(1 275)
Total changes	-	(53 586)	59	-	(5 297)	(13 297)	(18 594)	1 748	(16 846)
Balance as at 30 November 2015	**147 435**	**(22 961)**	**9 089**	-	**(13 872)**	**(115 373)**	**18 190**	**(621)**	**17 569**
	-	-	-	-	-	-	-	-	-
Balance at 01 March 2016	**147 472**	**(22 706)**	**9 099**	**-**	**(13 607)**	**(130 358)**	**3 507**	**-**	**3 507**
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(5 514)	(5 514)	-	(5 514)
Other comprehensive income	-	(827)	-	-	(827)	-	(827)	-	(827)
Total comprehensive income for the period	-	(827)	-	-	(827)	(5 514)	(6 341)	-	(6 341)
Share-based payment expense	-	-	20	-	20	-	20	-	20
Reclassification	-	-	-	51	51	-	51	-	51
Total changes	-	(827)	20	51	(756)	(5 514)	(6 270)	-	(6 270)
Balance at 30 November 2016	**147 472**	**(23 533)**	**9 119**	**51**	**(14 363)**	**(135 872)**	**(2 763)**	**-**	**(2 763)**
Note(s)	7		8						

* Currency translation differences arising on the conversion of the net investment in foreign operations from the 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)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015
Cash flows from operating activities					
Cash receipts from customers	15	5 408	30 422	11 899	38 239
Cash paid to suppliers and employees		(7 052)	(28 417)	(11 504)	(39 142)
Cash (utilised by) generated from operations	15	(1 644)	2 005	395	(903)
Finance income		-	19	33	125
Finance costs		(227)	(309)	13	(210)
Net cash (outflow) inflow from operating activities		**(1 871)**	**1 715**	**441**	**(988)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(2 805)	(450)	(1 357)
Proceeds from sale of property, plant and equipment		4	226	2	87
Purchase of mineral property interests	2	84	63	(13)	-
Proceeds from sale of mineral property interests		-	-	-	502
Proceeds from sale of subsidiary		-	-	543	3 410
Acquisition of subsidiary and business combination	14	-	-	-	(1 708)
Advances from related party loans		(144)	(180)	-	30
Repayment of related party loans		-	-	(2)	-
(Increase) decrease in investments and deposits		1 018	(176)	62	(22)
Decrease in rehabilitation deposits		(1 074)	59	1 343	1 625
Repayment of loan from buyers of subsidiary		-	1 712	-	-
Net cash (outflow) inflow from investing activities		**(112)**	**(1 101)**	**1 485**	**2 567**
Cash flows from financing activities					
Advances from loans and borrowings		1 882	3 393	-	-
Repayment of loans and borrowings		(103)	(3 071)	(775)	(3 752)
Repayment of finance lease obligations		(237)	(582)	(171)	(580)
Net cash inflow (outflow) from financing activities		**1 542**	**(260)**	**(946)**	**(4 332)**
Net movement in cash and cash equivalents for the period		**(441)**	**354**	**980**	**(2 753)**
Cash and cash equivalents at the beginning of the period		(537)	(1 332)	(2 381)	576
Cash and cash equivalents released from assets held for sale		-	-	-	776
Total net cash and cash equivalents at end of the period	6	**(978)**	**(978)**	**(1 401)**	**(1 401)**

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 30 November 2016 and 29 February 2016 and for the nine months ended 30 November 2016 and 2015, 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 $5.5 million for the period ended November 30, 2016 (2015: incurred a loss of $13.4 million). As of the date hereof the current liabilities exceed its current assets by $8.4 million (2015: $9.1 million). The directors have considered the ability for the Group to continue as a going concern, and note that there are a number of factors, strategies and assumptions which may have an impact on the going concern assumption. Relevant facts and uncertainties as at November 30, 2016 continue as follows:

- After further geological assessment of the Remhoogte and Holsloot complex (RHC) orebody, results were indicating that with significantly less rooikoppie and with additional overburden than previously expected, the project was not economic to continue operations under the company's large volume business model. Accordingly, the company suspended operations in September 2016. Subsequently, the company has entered into a sales agreement with Nelesco 318 Proprietary Limited (Nelesco) to acquire most of the assets of RHC and certain other mineral properties and related plant, and assume the rehabilitation liabilities for such mineral properties. The sale agreement, and the three payments thereunder, are subject to certain suspensive conditions for initial effectiveness and for the two payments thereafter;

- Saxendrift has now exhausted its economic ore body and the company suspended its operations there in September 2016. The assets of Saxendrift are part of the sale agreement with Nelesco and [98] employees and the successor employer obligations related thereto are being transferred to Nelesco;

- The Wouterspan complex construction has recommenced, after a six week delay due to a dispute with the contractor and subsequent legal action, and the wet plant is almost finished. Commissioning has commenced;

- The Construction agreement, mining agreement and sale of equipment agreement with CML were terminated by the company in October, 2016 for default, and all activities thereunder have ceased. The company intends to mine for its own account using its own equipment, and is working with its leasing company to reconfigure the equipment under lease to a better fit for purpose arrangement of assets required for rooikoppie and in field screen activities;

- Two major shareholders and one new investor have committed to advance a further ZAR112 million (US$8 million) to fund the completion of the wet plant commissioning, the in field screen, the transfer of the Holsloot plant to Lanyonvale and the litigation costs to stabilize the company and to replenish working capital to bring accounts into commercial arrangements;

- The company continues to pursue its rights in respect of damages caused by its former contractor and former employee, and to defend itself against litigation brought in respect of claims with which it disagrees. To-date, CML is the only creditor which has brought an action requesting liquidation of the company to collect on claims it has not yet established and which the company believes following independent investigation are irregular. The company will defend itself vigorously against this action, in part with the completion of WPC and commencement of full operations, a counter-claim for damages due to default and sabotage of equipment, and proceeds from the new financing and the sale of assets.

Accounting Policies

1.2 Continuance of operations (continued)

- the working capital deficiency caused by the underperformance of RHC to plan in terms of grade, price and volume of ore processed, the delay in completion of and the cost overruns of the Wouterspan project, caused in part by default of CML in its construction obligations, and the contractual dent repayment through the sales sweep mechanism has put a strain on the liquidity and cash flow. A number of strategies have been implemented by the board to mitigate and correct this as follows:

  • Terminating the contracts with CML for non-performance;

  • Arranging new financing of ZAR112 million (US$8 million) to fund the completion and commissioning of WPC and replenish working capital, initial tranches of which have already been received during the period;

  • Suspending loan repayments through sweeps until June 2017;

  • Negotiating deferral arrangements with all major creditors for repayment, while paying all creditors under $4 522 (ZAR50,000);

  • Selling assets for proceeds of $4.4 million (ZAR45 million), transferring [98] employees, and consolidated liabilities totaling $10 million, (ZAR105 million);

  • Rationalizing employee counts from 627 to 297; and

  • Refreshing senior management ranks with two new executives.

- The company's forecast of operations, for the WPC complex, including the Lanyonvale expansion using the relocated Holsoot plant, shows significant sustainable operational results by mid-2017.

Accordingly, it is the company's judgment that that going concern principle remains appropriate for these financial statements. The company believes that key to this assessment is the view that two remaining material risks, namely prevailing against the liquidation application and the effective and timely completion of commissioning of WPC are likely mitigated. Failure of either material risk to be mitigated effectively, may cause this assessment to change. Therefore on the based on the business plans, strategies and assumptions outlined above, the directors believe that the going concern assumption remains an appropriate basis for the preparation of these financial statements. In the event that these plans are not achieved and given the current liquidity positon of the company, a material uncertainty exists which may cast doubt over the Group's ability to continue as a going concern and discharge its liabilities, in the normal course of business. Should the going concern assumption not remain appropriate, adjustments may have to be made to reduce the value of the Group's assets to their realizable value, and the adjustment could be material.

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 29 February 2016, 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, 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 a 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 29 February 2016:

- 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 29 February 2016.

1.5. 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 June 2016 or later periods but have not been adopted early 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 #
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
IAS 1	Disclosure Initiative	1 January 2016
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 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

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

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

2. Mineral property interests

	As at 30 November 2016			As at 29 February 2016		
	Cost	**Accumulated amortization and impairment losses**	**Carrying value**	**Cost**	**Accumulated amortization and impairment losses**	**Carrying value**
Mineral property interests	15 539	(3 264)	12 275	28 568	(4 697)	23 871

Reconciliation of mineral property interests - 30 November 2016

	Opening balance	**Disposals**	**Transfer to assets held for sale (note 14.3)**	**Foreign exchange movements**	**Amortization**	**Impairments**	**Closing balance**
Mineral property interests	23 871	(23)	(10 796)	1 641	(1 153)	(1 265)	12 275

Reconciliation of mineral property interests - 28 February 2016

	Opening balance	**Additions**	**Business combinations**	**Disposals**	**Foreign exchange movements**	**Amortization**	**Closing balance**
Mineral property interests	16 518	9	13 130	(352)	(3 639)	(1 795)	23 871

Details of the Group's mineral property interests are disclosed in its annual consolidated financial statements as at and for the year ended 29 February 2016.

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 30 November 2016	As at 29 February 2016

3. Investment in associates

Associates

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

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.

Carrying amount		
Opening balance	452	396
Equity share of profit	75	152
Foreign exchange movements	(128)	(96)
Closing balance	**399**	**452**

The associate had no other comprehensive income for the 9 months ended 30 November 2016 (9 months ended 30 November 2015: $Nil).

Summarised financial information of associate - (100% interest)

Current assets	3 623	9 459
Non-current assets	96	57
Total assets	3 719	9 516
Current liabilities	1 726	6 656
Total liabilities	1 726	6 656
Net assets	1 993	2 860
Revenue	81 824	109 001
Total comprehensive income for the year	75	758
Capital commitments and contingent liabilities of associate	-	-

Reconciliation of carrying value to the 20% interest in net assets		
Net assets at 20%	399	572
Other adjustments	-	(24)
Foreign exchange movements	-	(96)
	399	**452**

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 capital. The Group acquired a 49% shareholding in the same year. Since incorporation the Group's portion of the losses from Banzi Trade have 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 in the absence of guarantees. The Group's carrying value of its investment in Banzi Trade is Nil.

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

4. Property, plant and equipment

	As at 30 November 2016			As at 29 February 2016		
	Cost	**Accumulated depreciation and impairment charges**	**Net carrying value**	**Cost**	**Accumulated depreciation and impairment charges**	**Net carrying value**
Land and buildings	3 643	(1 011)	2 632	3 643	(936)	2 707
Plant and machinery	32 283	(17 108)	15 175	46 044	(25 028)	21 016
Motor vehicles	917	(700)	217	917	(669)	248
Office equipment	997	(833)	164	997	(780)	217
Construction in progress	5 085	-	5 085	1 318	-	1 318
	42 925	**(19 652)**	**23 273**	**52 919**	**(27 413)**	**25 506**

Reconciliation of property, plant and equipment - 30 November 2016

	Opening balance	**Additions**	**Transfer to assets held for sale (note 14.3)**	**Disposals**	**Foreign exchange movements**	**Depreciation**	**Closing balance**
Property, plant and equipment	25 506	2 805	(3 832)	(16)	1 661	(2 851)	23 273

Amounts in Canadian Dollars ('000)

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 29 February 2016

	Opening balance	Additions	Business combination	Disposals	Foreign exchange movements	Depreciation	Impairment loss	Closing balance
Property, plant and equipment	27 001	2 057	13 385	(120)	(5 979)	(10 169)	(669)	25 506

	9 months ended 30 November 2016	Year ended 29 February 2016
Earthmoving vehicles	-	669
	-	**669**

Impairments for the year ended 29 February 2016 were determined on the estimated market value less cost to sell on certain items of equipment no longer in use.

Refer note 6 and note 9 for the security charge over property, plant and equipment.

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 30 November 2016	As at 29 February 2016
5. Investments and deposits		
At fair value through profit or loss		
Investments	1 557	1 291
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 note 11).		
At amortized cost		
Deposits	113	53
Deposits paid to the South African national electricity supplier.		
Total investments and deposits	**1 670**	**1 344**
Non-current assets		
At fair value through profit or loss	1 557	1 291
At amortized cost	113	53
	1 670	**1 344**
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1	1
Bank balances	152	55
Short-term cash deposits	1	2
	154	58
Bank overdraft	(1 132)	(1 390)
	(978)	**(1 332)**
Current assets	154	58
Current liabilities	(1 132)	(1 390)
	(978)	**(1 332)**

The Group has an overdraft facility in the amount of ZAR12.0 million ($1.14 million) available for its operations of which $1.12 million has been utilized. This facility has an interest cost of prime (currently 10.5% per annum) plus 4.0%. The security for the ZAR12.0 million overdraft facility consists of joint suretyship limited to ZAR28.0 million (2015: ZAR28.0 million), by Rockwell Resources RSA Proprietary Limited and HC van Wyk Diamonds Limited, the cession of an investment policy and a notarial covering bond over property, plant and equipement of ZAR40.0 million ($3.8 million) and a cession over trade receivables. At the time of signing these financial statements this facility was drawn down to $1.12 million (ZAR11.7 million).

Amounts in Canadian Dollars ('000)

7. Share capital

Reconciliation of number of shares issued:

	Number of shares	**Number of shares**
Beginning of period	54 983 244	54 558 244
Shares issued to employees ^	-	425 000
End of period	**54 983 244**	**54 983 244**

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 following shares are reserved for issue:

- Employee share options	3,084,011
- Daboll/ Emerald warrants re credit facitlities (note 9)	21,215,240

^ Shares issued to consultants and employees amounted to:

	As at 30 November 2016		**As at 29 February 2016**	
	Quantity	**Share price at grant date**	**Quantity**	**Share price at grant date**
Consultants	Nil	-	Nil	-
Employees	Nil	-	425,000	0.10
			425,000	

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

Amounts in Canadian Dollars ('000)

8. 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 Group 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.

There were no share options issued to directors, employees or consultants during the period.

Share-based payment expenses:

	3 months ended 30 November 2016	**9 months ended 30 November 2016**	**3 months ended 30 November 2015**	**9 months ended 30 November 2015**
Share options granted in prior years	4	20	9	59
Share options granted in current year	-	-	-	-
Total share-based payment cost expensed to operations, with the offset credited to share-based payment reserve	**4**	**20**	**9**	**59**

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 30 November 2016	As at 29 February 2016

9. Loans and borrowings

Held at amortized cost		
Credit facilities	28 497	26 573

Bridging loans, for the funding of the acquisition of Remhoogte, were obtained from Diacore (via Ascot Diamonds Proprietary Limited) ($20.4 million) and Mark Bristow ($1.8 million) in order to meet the transaction financing requirements 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 advanced by Mark Bristow and US$15.0 million plus ZAR16 million advanced by Diacore.

The initial term of the two loans were for a period of three months ("first period"), extendable for a further month if the Company called a shareholder meeting to approve any required amendments to the loan; Interest was payable at 1.25% per month for the first period of three months. There were no broker's or similar fees associated with these two transactions.

The Company renegotiated these loans during Q3 2016, and upon receipt of shareholders' approval on 23 September 2015, two new loans, (including the effective repayment of the convertible debentures of November 2014, commencing on 1 October 2015), were issued, each with the following terms:

- A term of 24 months from 1 October 2015
- Interest payable every 6 months at US - 6 month Libor rate plus a margin of 1 000 basis points
- To be repaid through a sweep mechanism linked to sales revenues (currently up to 7.5% on diamond sales and up to 50% on beneficiation income), paid prorata to Diacore and Emerald in proportion to the ratio of the original two loan principal balances.
- The issue of three year share warrants to Ascot (18,863,402) and Emerald (2,351,838) at a strike price of 20 cents per share.

The loans are classified as non-current based on the legal substance of the contracts. Sales to Diacore initiates the sweep mechanism and thus is repayable only with production.

The two key shareholders and a third party have agreed to loan the Company US$8 million to improve the liquidity position and complete Wouterspan (note 27).

Additional loans of CAD3.3 million from Diacore and Emerald have been made during the year.

The total loan amounts are secured by a first security charge over movable assets, including those acquired in note 13.2, and cession of shares in subsidiary companies.

Refer note 12 for a breakdown per lender for the loans and borrowings.

Non-current liabilities		
At amortized cost	28 497	26 573

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 30 November 2016	As at 29 February 2016

10. Deferred tax

Deferred tax liability

Mineral property interests	(1 499)	(4 867)
	(1 499)	**(4 867)**

Reconciliation of net deferred tax liability

At beginning of the period	(4 867)	(2 995)
Foreign exchange movement	-	867
Recognized in profit or loss	-	629
Business combination	-	(3 368)
Transferred to liabilities held for sale (note 27)	3 368	-
	(1 499)	**(4 867)**

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.

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)

11. Rehabilitation obligation

Reconciliation of obligation - 30 November 2016

	Opening balance	Rehabilitation obligation recognised / (revised)	Foreign exchange movements	Transfer to non-current liabilities held for sale (notes 14.3 & 27)	Closing balance
Rehabilitation obligation	7 753	51	891	(6 654)	2 041
	7 753	**51**	**891**	**(6 654)**	**2 041**

Reconciliation of obligation - 29 February 2016

	Opening balance	Rehabilitation obligation recognised / (revised)	Foreign exchange movements	Business combination	Unwinding	Closing balance
Rehabilitation obligation	5 987	1 555	(1 604)	994	821	7 753
	5 987	**1 555**	**(1 604)**	**994**	**821**	**7 753**

Amounts in Canadian Dollars ('000)

11. 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 monthly and adjusted as appropriate for agreed 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 generally 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:	5 years on current mining operations (End of life of mine)
South African discount rate:	9%
South African inflation rate:	6%

As required by regulatory authorities, at 30 November 2016, the Group had cash rehabilitation deposits totaling $0.1 million (29 February 2016 – $1.1 million) comprised of $1.2 million (29 February 2016 – $1.1 million) for the Saxendrift, Wouterspan and Remhoogte operations. 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).

A guarantee in respect of Remhoogte is held by the regulatory authorities which is secured by a rehabilitation deposit held by Bondeo 140 CC in respect of the Steyn transaction and acquisition of Remhoogte.

The deposits for Saxendrift and Remhoogte operations have been transferred to assets held for sale (refer notes 14.3 & 27).

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at 30 November 2016	As at 29 February 2016
12. Related party balances		
Balances payable		
Seven Bridges Trading (a)	4	4
Gump Mining (g)	-	36
Banzi Trade (c)	-	1 178
Current balances payable	4	1 218
Loans from related parties	**1 222**	**3 366**

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

Loans and borrowings include the following amounts due to related parties (notes 9 & 27)		
Emerald (h) - long term acquisition credit facilities	4 537	3 349
Diacore (f) - long term acquisition credit facilities	23 960	23 224
Total	28 497	26 573
Receivables from related party included under trade and other receivables		
Diacore (f)	599	1 454

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015
13. Related party transactions				
Related party transactions for the 9 months and 3 months ended 30 November 2016 (9 months and 3 months ended 30 November 2015)				
Services rendered and expenses reimbursed:				
Seven Bridges Trading (a)	-	-	12	36
Mogopa Minerals (d)	-	-	-	12
Flawless Diamonds Trading House (b)	145	202	24	238
Sales rendedered to:				
Sale of diamonds - Diacore (f)	4 117	26 790	6 376	24 782
Beneficiation income - Diacore (f)	1 087	4 295	155	9 814
Finance costs include the following amounts paid to related parties:				
Daboll (e)	55	206	37	162
Diacore (f)	456	1 430	594	1 357
Emerald (h)	22	226	103	189

All related party transactions are calculated at arm's length transaction values in the normal course of business.

(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 provided 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 0.25% 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. This relationship terminated with the sale of Etruscan in March 2015.

(e) Daboll Consultants Limited ("Daboll") owns 19% of the shares in the Company and is considered a related party. Daboll has credit facility 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 previous subsidiary company. Gumrock has been disposed of at the end of February 2016.

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

In addition, reference is made to note 27, Subsequent events.

Amounts in Canadian Dollars ('000)

14. Sale and acquisition of subsidiaries

14.1 Sale of subsidiary

An acquisition consortium assumed control of Tirisano on March 28, 2015, and therefore the Group accounted for the sale as of that date. The cash consideration was to be settled by way of two initial payments totaling ZAR20 million ($1.8 million), followed by 20 equal monthly instalments of ZAR2 million ($0.17 million), of which 12 have been received to date. Therefore as at 29 February 2016, ZAR22 million ($1.8 million) was outstanding on the sale price. This was received in the period under review, after agreement of an early settlement discount of ZAR 2 million.

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	7 954
Net assets sold	7 954
Loss on sale of subsidiary	1 774
	6 180

Consideration	
Cash received	2 098
Deferred consideration - outstanding at year end	2 770
Deferred consideration - received since acquisition	1 312
	6 180

14.2 Business combination

On May 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 long term acquisition credit facilities were secured.

The acquisition was accounted for as an acquired business in terms of IFRS 3: Business Combinations. It included the purchase of 100% of the issued share capital in Pioneer Minerals Proprietary Limited which owns the Remhoogte property, from Bondeo 140 cc, the Holsloot and Bo-Karoo properties and certain earthmoving equipment and plant.

The movable assets acquired have been included in a first security charge securing the two long term acquisition credit facilities from Diacore and Emerald as disclosed in note 9.

The following summarises the fair value of assets and liabilities acquired	
Mineral property interests	13 130
Property, plant and equipment	13 385
Deferred tax	(3 368)
Rehabilitation obligation	(994)
Other liabilities	(99)
Total identifiable net assets	**22 054**

Amounts in Canadian Dollars ('000)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015

14. Sale and acquisition of subsidiaries (continued)

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)
	(22 054)
Net cash outflow on acquisition	
Cash consideration paid	(1 708)

14.3. Assets and liabilities held for sale

The Company announced that it was going out to tender for the sale of parts of Saxendrift Mine and Remshoogte/Holsloot complex. Interested parties were identified and negotiations concluded with the execution of a contract with Nelesco 318 (Pty) Ltd "the Purchaser", pursuant to which the Company will sell certain of the diamond prospecting, mining, recovery, sorting and processing business carried on by it in the Northern Cape for a cash consideration of R45.5 million (CAD 4.1 million).

At near final draft of the Sale Agreement is available. The sale is subject to the successful completion of conditions precedent, including regulatory requirements. The cash consideration of ZAR45 million will be settled in three tranches, the first being ZAR20 million (CAD 1.9 million) upon completion of certain suspensive conditions, the second being ZAR15 million (CAD1.4 million) due on completion of the registration of Saxendrift farm in the name of Nelesco and the balance of ZAR10 million (CAD0.95 million) upon completion of and consents to assign certain contracts, the Section 11 transfer of the mineral properties to the name of Nelesco as well as the consent of the Takeover Regulation Panel of South Africa. The sale is expected to be concluded by the end of Januaury 2017, with the initial tranche received at such time.

The disposal of the sale of the Saxendrift and Remhoogte/Holsloot complex is not considered to be discontinued operations. Although regarded as a separate segment, it is not considered to represent a separate line of business or geographical area.

	3 months ended 30 November 2016	9 months ended 30 November 2016
Assets held for sale		
Mineral property interests	10 796	10 796
Property, plant and equipment	3 832	3 832
Rehabilitation deposits	1 061	1 061
	15 689	**15 689**
Liabilities held for sale		
Provision for rehabilitation	(6 654)	(6 654)
Provision for deferred tax	(3 368)	(3 368)
	(10 022)	**(10 022)**
Net book value	5 667	5 667
Indicated impairment of mineral property interests	(1 265)	(1 265)
Net proceeds	4 402	4 402

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015

15. Cash (utilised by) generated from operations

Loss before taxation	(5 496)	(5 514)	(10 488)	(15 472)
Adjustments for:				
Depreciation and amortization	777	4 004	1 896	5 611
Profit on disposal of property, plant and equipment	(6)	(210)	-	(11)
Loss (profit) on disposal of mineral property interests	-	-	4	(161)
Reclamation obligation (reversed) recognized	(505)	51	56	121
Share of profit from equity accounted investment	(6)	(75)	(31)	(122)
Finance income	-	(19)	(78)	(127)
Finance costs	709	2 217	875	2 216
Impairment of mineral property interests	1 265	1 265	-	-
Loss on sale of subsidiary	-	-	79	1 853
Share-based payment expense	4	20	9	59
Foreign exchange (profit) loss	(1 017)	(2 395)	1 995	4 818
Realized foreign exchange with sale of subsidiary	-	-	-	(1 276)
Write down to net realizable value of diamond inventories	-	-	1 365	29
Changes in working capital:				
Inventories	2 210	749	(1 119)	(1 444)
Trade and other receivables	164	(681)	5 037	888
Trade and other payables	257	2 593	795	2 115
	(1 644)	**2 005**	**395**	**(903)**

Cash receipts from customers				
Revenue	3 506	29 387	-	-
Movement in trade and other receivables	1 902	1 035	-	-
	5 408	**30 422**	**-**	**-**

16. Tax paid

Balance at beginning of the period	-	-	35	37
Foreign exchange movement	-	-	-	(2)
Balance at end of the period	-	-	(35)	(35)
	-	**-**	**-**	**-**

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015

17. Revenue

Sale of diamonds	2 419	25 092	6 913	27 459
Beneficiation income	1 087	4 295	155	9 814
	3 506	**29 387**	**7 068**	**37 273**

Beneficiation income represents a profit share on the beneficiation value add through cutting and polishing, arising through the Group's 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 sale of beneficiated diamonds to third parties.

18. Cost of sales before amortization and depreciation

Mining	1 112	8 054	6 357	18 259
Employee cost	745	5 604	2 147	7 111
Processing	235	1 765	742	2 311
Contract mining	1 213	7 337	(45)	2 105
Other	191	1 437	2 113	5 710
Royalties	13	94	(2)	101
Production costs of operation	**3 509**	**24 291**	**11 312**	**35 597**
Production costs after closure	**3 737**	**3 737**	-	-
Production cost	**7 246**	**28 028**	-	-
Royalty mining	26	600	(12)	932
Inventory movement	(337)	(803)	856	(233)
	(311)	**(203)**	**844**	**699**
	6 935	**27 825**	**12 156**	**36 296**

19. Loss before net finance costs

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

Profit on sale of property, plant and equipment	(6)	(210)	-	(11)
Loss (profit) on sale of mineral property interests	-	-	4	(161)
Depreciation on property, plant and equipment	556	2 851	1 505	4 364
Amortisation on mineral property interests	221	1 153	391	1 247
Salaries and wages	1 260	3 030	(549)	1 221
Share-based payment expense	4	20	9	59
General, administration and business development expenses				-
- General and administration expenses	754	2 462	732	3 050
- Business development expenses	-	-	-	944

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015
20. Finance income				
Bank	-	19	33	125
Fair value adjustments on other financial assets	-	-	45	2
	-	**19**	**78**	**127**
21. Finance costs				
Loans and borrowings	533	1 862	707	1 740
Finance lease obligation	47	95	34	117
Bank	35	93	91	238
Other	94	167	43	121
	709	**2 217**	**875**	**2 216**
22. Tax expense				
Major components of the tax expense				
Deferred tax				
Movement in deferred tax balance recognised through profit and loss	-	-	1 162	2 112

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended 30 November 2016	9 months ended 30 November 2016	3 months ended 30 November 2015	9 months ended 30 November 2015

23. Loss per share

Basic and diluted loss per share

Basic loss per share				
Cents per share	(10.00)	(10.03)	(17.13)	(24.37)

Basic loss per share was calculated based on a weighted average number of ordinary common shares of 54 983 244 for the 9 months ended 30 November 2016 (3 months ended 30 November 2016: 54 983 244) and 54 558 244 for the 9 months ended 30 November 2015 (3 months ended 30 November 2015: 54 558 244).

Reconciliation of loss for the period to basic loss				
Loss for the period	(5 496)	(5 514)	(9 326)	(13 360)
Adjusted for:				
Loss attributable to non-controlling interest	-	-	(20)	63
Basic loss attributable to owners of the Group	**(5 496)**	**(5 514)**	**(9 346)**	**(13 297)**

Diluted loss per share is equal to loss per share because there are no dilutive potential ordinary shares in issue.

At 30 November 2016 and 30 November 2015 the impact of share-based payment options were excluded from the weighted average number of shares as the effect would have been anti-dilutive.

Basic and diluted headline loss per share

Headline loss per share (cents)	(10.01)	(10.41)	(17.14)	(23.77)
Reconciliation between basic loss and headline loss				
Basic loss attributable to owners of the Group	(5 496)	(5 514)	(9 346)	(13 297)
Adjusted for:				
Profit on disposal of assets	(6)	(210)	(11)	(11)
Loss (profit) on disposal of mineral property	-	-	4	(161)
Realized foreign exchange with sale of subsidiary	-	-	-	(1 276)
Loss on sale of subsidiary	-	-	-	1 774
Non-controlling interest portion of above adjustment	-	-	-	-
Headline loss attributable to owners of the Group	**(5 502)**	**(5 724)**	**(9 353)**	**(12 971)**

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 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 remeasurements.

At 30 November 2016 and 30 November 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 per share calculation, as the effect would have been anti-dilutive.

Amounts in Canadian Dollars ('000)

24. 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;
- Corporate represents the corporate management and administrative function of the Group; and
- A third segment, North West operation is associated with the mining of potholes and the recovery of lower value and smaller carat size diamonds was sold in April 2015.

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 9 months ended 30 November 2016

	Northern Cape	North West	Corporate	Reconciling	Total
Total assets	57 549	-	1 093	-	58 642
Total liabilities	(38 444)	-	(22 961)	-	(61 405)
External revenue	(29 387)	-	-	-	(29 387)
Inter segment revenue	-	-	1 846	-	1 846
(Loss) / profit for the period	(6 578)	-	1 064	-	(5 514)

For the year ended 29 February 2016

	Northern Cape	North West	Corporate	Reconciling	Total
Total assets	56 394	-	4 504	(2 081)	58 817
Total liabilities	(25 523)	-	(27 406)	(2 081)	(55 010)
External revenue	(46 274)	(1 065)	-	-	(47 339)
Inter-segment revenue	-	-	-	-	-
Loss for the year	(18 350)	(4 027)	(5 304)	-	(27 681)

For the 9 months ended 30 November 2015

	Northern Cape	North West	Corporate	Reconciling	Total
Total assets	58 243	-	58 817	(46 677)	70 383
Total liabilities	71 637	-	27 854	(46 677)	52 814
External revenue	36 208	1 065	-	-	37 273
Loss for the period	(5 708)	(14)	(7 638)	-	(13 360)

Amounts in Canadian Dollars ('000)

25. Financial risk management

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 realised 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:

Company

	30 November 2016 - Carrying amount	30 November 2016 - Fair value	29 February 2016 - Carrying amount	29 February 2016 - Fair value
Assets carried at fair value				
Investments	1 557	1 557	1 291	1 291
Assets carried at amortized cost				
Deposits	113	113	53	53
Rehabilitation deposits	106	106	1 103	1 103
Trade and other receivables	2 942	2 942	3 884	3 884
Cash and cash equivalents	154	154	58	58
Liabilities carried at amortized cost				
Loans and borrowings	28 497	28 497	26 573	26 573
Trade and other payables	14 489	14 489	6 066	6 066
Finance lease obligations	-	-	1 024	1 024
Loans from related parties	3 478	3 478	1 218	1 218
Bank overdraft	1 132	1 132	1 390	1 390

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 - 30 November 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	1 557	-	-	1 557
Financial assets at fair value - 29 February 2016				
Investments	1 291	-	-	1 291

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.

26. Contingent assets and liabilities

A number of contingencies exist which may have material effect on the results of operations and financial position of the company as follows:

1. CML, the former mining contractor, has brought an application for liquidation of three of the company's subsidiaries. The application is being vigorously contested by the company, in part because CML's claims have not been established in a court of law and therefore merely remain claims without a lien, and in part because following independent investigation, many of them are considered irregular. The company is therefore contesting the validity of many of the claims, the circumstances in which they were made, and the nature and extent of services provided. Should the application for liquidation be successful, the impact on the assets and liabilities of the company is not yet determinable. In particular, an amount of $1.5 million (ZAR15.8 million liability) claimed by CML for mining activities undertaken in September has not been recognised due to fact that such amount of mining did not take place, and the contractor had failed to provide written evidence of sufficient equipment to perform under the contract,. They admitted prior to contract execution that they did not have sufficient equipment to do so, and would procure same after execution of the mining contract and executed a covenant to provide such evidence. Accordingly, the Company believes that CML was not in a position to fully perform such services during September as they did not provide the written evidence.

2. The company prevailed in a court action brought by CML for possession of the company's assets under the legal principle of spoliation. This application was dismissed with costs and the company is preparing its claim for such costs, recovery of which is not reflected in this financial statements. The recovery amount may be material when received.

3. The company terminated the three material agreements with CML in October 2016, in part for default and in part for abandonment. Further, upon return of the company's property in early December under the application dismissal and subsequent court order to return all property, the company found that much of the equipment have been purposely damaged and sabotaged. The company is preparing claims for damages under the provisions of the three material contracts and for claims of damages and sabotage to its equipment. The amount is currently being determined and if awarded, may be material.

4. The company has not recognised the rehabilitation liability of $0.6 million (ZARR6 million) for the Jasper property which is the subject of a section 11 transfer. There is a corresponding amount due from the previous buyer in respect thereof.

27. Subsequent events

- Subsequent to the quarter end, the Company entered into a sale agreement whereby the mineral properties of Remhoogte, Saxendrift, Saxendrift Hill, Holsloot and Zwemkuil were sold along with the plant at Saxendrift and Remhoogte. Included in the transaction, is the transfer of $6.7 million (ZAR69 million) in rehabilitation liabilities and the reversal of $3.4 million (ZAR35 million) in deferred taxes. Total net proceeds of $4.4 million (ZAR45 million) are to be paid in three tranches, being $1.9 million (ZAR20 million), $1.5 million (ZAR15 million) and $1.0 million (ZAR10 million), all of which are subject to meeting specific conditions precedent relating to each tranche.

- Subsequent to the quarter end, the Company prevailed in having a spoliation order overturned by the High court in Kimberley.

- Subsequent to the quarter end, the Company entered into a financing commitment with Diacore, Emerald and DRC Holdings Limited, for a further investment in debentures of US$8 million. The terms of the debentures are identical to previously issue debentures. This financing will be advanced in four equal tranches, commencing in December, 2016. Proceeds will be applied to increase working capital, complete the WPC plant and move the Holsloot plant to Lanyonvale.

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

28. Statement of no audit or review

The consolidated financial statements for quarter 3 of 2017 have neither been audited nor reviewed by the auditors.