Rockwell Diamonds Inc.

Unaudited Interim Consolidated Financial Statements
for the period ended November 30, 2020

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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 12, were approved by the board on January 14, 2021 and were signed on its behalf by:

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

Consolidated Statements of Financial Position

Amounts in Canadian Dollars ('000)	Note(s)	As at November 30, 2020	As at February 29, 2020
Assets			
Current assets			
Cash and cash equivalents	2	33	13
Trade and other receivables	3	-	7
Total current assets		**33**	**20**
Equity and liabilities			
Equity			
Share capital	4	147 472	147 472
Reserves		9 099	9 099
Accumulated losses		(175 023)	(175 642)
Total deficit		**(18 452)**	**(19 071)**
Liabilities			
Current liabilities			
Trade and other payables	6	23	1 258
Loans and borrowings	7	18 462	17 833
Total current liabilities		**18 485**	**19 091**
Total equity and liabilities		**33**	**20**

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

Consolidated Statements of (Loss)/Profit and Comprehensive (Loss)/Profit

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended November 30, 2020	9 months ended November 30, 2020	3 months ended November 30, 2019	9 months ended November 30, 2019
Other income		-	1 225	-	-
General and administration expenses		(53)	(53)	(1)	(42)
(Loss)/profit before net finance costs	9	**(53)**	**1 172**	**(1)**	**(42)**
Finance income		-	-	-	1
Finance costs	10	(185)	(553)	(182)	(546)
(Loss)/profit after net finance costs		**(238)**	**619**	**(183)**	**(587)**
(Loss)/profit for the period		**(238)**	**619**	**(183)**	**(587)**
Total comprehensive (loss)/profit		**(238)**	**619**	**(183)**	**(587)**
(Loss)/earnings per share					
Basic and diluted/(loss) earnings per share (cents)	11	(0.43)	1.13	(0.33)	(1.07)

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

Consolidated Statements of Changes in Equity

Amounts in Canadian Dollars ('000)	Share capital	Share-based payment reserve **	Accumulated losses	Total deficit
Balance at March 1, 2019	**147 472**	**9 099**	**(174 786)**	**(18 215)**
Total comprehensive loss for the period				
Loss for the period	-	-	(587)	(587)
Total changes	-	-	(587)	(587)
Balance at November 30, 2019	**147 472**	**9 099**	**(175 373)**	**(18 802)**
Balance at March 1, 2020	**147 472**	**9 099**	**(175 642)**	**(19 071)**
Total comprehensive profit for the period				
Profit for the period	-	-	619	619
Total changes	-	-	619	619
Balance at November 30, 2020	**147 472**	**9 099**	**(175 023)**	**(18 452)**
Note(s)	4	5		

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

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

Consolidated Statements of Cash Flows

Amounts in Canadian Dollars ('000)	Note(s)	3 months ended November 30, 2020	9 months ended November 30, 2020	3 months ended November 30, 2019	9 months ended November 30, 2019
Cash flows from operating activities					
Cash used in operations		(56)	(56)	(1)	(42)
Finance income		-	-	-	1
Finance costs		(185)	(553)	(182)	(546)
Net cash outflow from operating activities		**(241)**	**(609)**	**(183)**	**(587)**
Cash flows from financing activities					
Advances from loans and borrowings		259	629	182	546
Net cash inflow from financing activities		**259**	**629**	**182**	**546**
Net movement in cash and cash equivalents for the period		**18**	**20**	**(1)**	**(41)**
Cash and cash equivalents at the beginning of the period		15	13	14	54
Total cash and cash equivalents at end of the period	2	**33**	**33**	**13**	**13**

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

Notes to the Unaudited Interim Consolidated Financial Statements

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") has been 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 November 30, 2020, and February 29, 2020 and for the nine months ended November 30, 2020 and November 30, 2019 present the financial position and results of the Company.

The Company and its subsidiaries in British Columbia and South Africa are together referred to as the "Group" and individually as "Group entities". The Group's mineral property interest were located in South Africa and have been deconsolidated during 2017 due to a loss of control as described below. No assets or liabilities of deconsolidated subsidiaries have subsequent to deconsolidation been reflected or disclosed.

Rockwell is incorporated in Canada under the British Columbia Business Corporation Act and is listed on the Johannesburg Stock Exchange (JSE). Trading had been suspended on both bourses since March 26, 2017 amid the financial difficulties of its South African subsidiaries. This suspension was revoked on December 23, 2020 by the regulator.

1.2 Continuance of operations

The Group experienced a total profit of $0.619 million for the period ended November 30, 2020 due to the benefit of trade and other payables negotiated downwards and settled, while provisions were reversed. Against this income expenditure was set off, representing interest on debt and general and administration expenditure incurred to update regulatory filings and the application of the share trade revocation order (November 30, 2019: loss of $0.587 million).

As at November 30, 2020 its current liabilities exceed its current assets by $18.5 million (February 29, 2020: $19.1 million). The Group has no operating income.

The working capital deficiency is in summary the result of litigation in South Africa against the South African subsidiaries and their subsequent financial duress. These subsidiaries were placed in provisional liquidation by the High Court during September 2017, while the liquidators since disposed of and realized all assets in order to present a final liquidation offer to creditors and approval by the Court. Final hearing dates were since 2017 deferred a number of times, primarily as the mineral rights so disposed of require governmental approval, and the effect of the Covid-19 pandemic did not further this process. Final hearing is now set for May 2021.

The directors have considered the ability of the Group to continue as a going concern and note there to be a number of factors, strategies and assumptions which may have an impact on the going concern assumptions. Relevant facts and uncertainties includes:

- The Board has addressing all outstanding filings relating to the Audited Consolidated Financial Statements for the financial years ended February 29, 2020, February 28, 2019 and February 28, 2018 as well as all interim quarterly filings, in order to bring the Company's compliance up to date. A revocation of the ceased trade order of the Company's shares was successfully applied for and received on December 23, 2020.
- A related party has made an offer to acquire the shareholders interest of the Company, if the Company is delisted and taken private. The offer is inclusive to provide funding to settle creditors and wind down the affairs of the Company in an orderly manner.
- An application will be lodged by the Company to delist from the regulator.
- The debenture holders have confirmed that they will not seek repayment of the debentures and surrender their claims in respect of the debentures on terms to be approved, also indicating that they will support acceptance of the offer by the related party.
- The Board can now proceed to formalize the processes and arrange an annual general meeting with shareholders to, amongst others, present the applicable disclosures and offer for consideration and thereafter apply for a delisting of the Company's shares.
- Any final decisions, arrangements and agreements would be subject to board, shareholder and regulatory approval in Canada and South Africa.

Accordingly, it is the Company's judgement that the going concern principle remain appropriate for these financial statements, cognizance to be taken of the above uncertainties until final sanction and implementation. The Company believes that key to this view is the risk of successful conclusion and implementation of the final strategy, which pose significant uncertainty. Failure to mitigate this risk and the successful conclusion and implementation by the Company, may cause the assessment to change.

At present a material uncertainty exists which may cast a significant doubt on the Group's ability to continue as a going concern and discharge its liabilities in the normal course of business. Should the going concern assumptions not remain appropriate, adjustments may have to be made and such adjustments could be material.

Notes to the Unaudited Interim Consolidated Financial Statements

1.2 Continuance of operations (continued)

The consolidated financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of business, and that such adjustments could be material. The directors are of the opinion that the final strategy would be implemented and concluded by the end of the first quarter 2021.

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 February 29, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

1.3.2 Basis of measurement

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

1.3.3 Accounting treatment of operating subsidiaries

IFRS 10 requires that a Company consolidate investee entities where:

- an investor controls an investee, and when it is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee.

1.3.4 Use of estimates and judgements

In preparing the unaudited interim 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 unaudited interim consolidated financial statements is included in the notes to the annual consolidated financial statements for the year ended February 29, 2020.

1.4 Significant accounting policies

The accounting policies applied by the Group in these unaudited interim consolidated financial statements are the same as those applied by the Group in its annual consolidated financial statements as at and for the year ended February 29, 2020.

Notes to the Unaudited Interim Consolidated Financial Statements

1.5. Standards, interpretations and amendments to published standards effective for the year ended February 29, 2020

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

Standard(s) Amendment(s) Interpretation(s)	Details of amendment	Impact on financial position or performance
IFRS 16	Leases	No impact

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars	As at November 30, 2020	As at February 29, 2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	33	13

3. Trade and other receivables

VAT	-	7

4. Share capital

Reconciliation of number of shares issued:

	Number of shares	**Number of shares**
Beginning of period	54 983 244	54 983 244
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 were reserved for issue however, are all out of the money at November 30, 2020:

- Employee share option	417 899	417 899

No shares were issued to consultants and employees and the share option plan will be cancelled on execution of the proposed delisting and amalgamation strategy approval set out in note 1.2.

5. Share-based payments

Employee share-based payments

The Group had 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 with a maturity of 5 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 used the Black-Scholes option pricing model to estimate a fair value for these options at grant date. This model require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the share-based payment expense charged in a period.

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

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

The Company does not have any employees and any outstanding options will be withdrawn on execution of the proposed delisting and amalgamation strategy approval set out in note 1.2.

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	As at November 30, 2020	As at February 29, 2020

6. Trade and other payables

Trade payables	23	727
Accruals	-	531
	23	**1 258**

7. Loans and borrowings

Held at amortized cost		
Convertible loans/Debentures	18 462	17 833

Interest accrued at 5% per annum, calculated monthly.

The debenture holders confirmed their intent to waive their respective claims and would not claim payment for the outstanding principal and interest on acceptance of the proposed delisting and amalgamation strategy approval set out in note 1.2.

Current liabilities		
At amortized cost	18 462	17 833

8. Related parties

Related party balances

Loans and borrowings include the following amounts due to related parties		
Emerald (c) - long term acquisition credit facilities	11 602	11 231
Diacore (b) - long term acquisition credit facilities	6 860	6 602

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

(a) 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.

(b) Diacore Diamond Group (“Diacore”) is the holding company of Daboll.

(c) Emerald Holdings Limited ("Emerald") is an investment company in which Dr. D M Bristow, a director of the Company, and has a credit facility agreements with the Company at market related terms.

Notes to the Unaudited Interim Consolidated Financial Statements

Amounts in Canadian Dollars ('000)	3 months ended November 30, 2020	9 months ended November 30, 2020	3 months ended November 30 2019	9 months ended November 30, 2019
9. (Loss)/profit before net finance costs				
(Loss)/profit before net finance costs for the year is stated after accounting for the following:				
General and administration expenses	53	53	1	42
10. Finance costs				
Loans and borrowings	185	533	182	546
11. (Loss)/earnings per share				
Basic and diluted (loss)/earnings per share				
Cents per share	(0.43)	1.13	(0.33)	(1.07)

Basic loss per share was calculated based on a weighted average number of common shares of 54 983 244 for the 3 months ended November 30, 2020 (3 months ended November 30, 2019: 54 983 244) and 54 983 244 for the 9 months ended November 30, 2020 (9 months ended November 30, 2019: R 54 983 244).

Reconciliation of (loss)/earnings for the year to basic (loss)/earnings				
(Loss)/profit for the period	(238)	619	(183)	(587)

At November 30, 2020 and November 30, 2019 the impact of share-based payment options and warrants were excluded from the weighted average number of shares, for the purpose of the diluted loss per share calculation, as the effect would have been anti-dilutive.

Basic and diluted headline (loss)/earnings per share				
Cents per share	(0.43)	1.13	(0.33)	(1.07)
Reconciliation between basic (loss)/profit and headline (loss)/earnings				
Basic (loss)/earnings attributable to owners of the Group	(238)	619	(183)	(587)
Adjusted for:				
Non-controlling interest portion of above adjustments	-	-	-	-
Headline (loss)/earnings attributable to owners of the Group	**(238)**	**619**	**(183)**	**(587)**

None of the adjustments to headline (loss)/earnings had any tax impact.

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 remeasurements.

At November 30, 2020 and November 30, 2019 the impact of share-based payment options and warrants were excluded from the weighted average number of shares, which had no financial effect.

Notes to the Unaudited Interim Consolidated Financial Statements

12. Subsequent events

On March 16, 2018, the final hearing date on the liquidation of the three South African Subsidiaries, Rockwell Resources RSA Proprietary Limited, HC van Wyk Diamonds Limited and Saxendrift Mine Proprietary Limited were deferred by the High Court to August 17, 2018, allowing the appointed liquidator to finalize his work. The granting of final orders were deferred a number of times, and is now set for May 2021.

The process to consider and take the Company private can now proceed. The revocation order was received from the regulator on December 23, 2020 lifting the cease trade of the Company's shares since March 26, 2017. The offer and disclosures will be presented by the Board to shareholders for consideration at the forthcoming Annual and Special Meeting of Shareholders set for March 2, 2021.

13. Statement of no audit or review

The interim consolidated financial statements for quarter 3 of 2021 have not been audited or reviewed by the auditors.