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19 March 2013

**AIM: STEL**

**Stellar Diamonds plc  
("Stellar" or the "Company")**

### **INTERIM UNAUDITED SIX MONTH RESULTS TO 31 DECEMBER 2012**

Stellar Diamonds plc, the London listed (AIM:STEL) diamond development company focused on West Africa announces its Interim unaudited six month results to 31<sup>st</sup> December 2012.

#### **Operational Highlights**

- Tongo JORC compliant resource increased to over 1 million carats through 2,929m of additional drilling
- Droujba JORC compliant resource increased to 3 million carats through addition of 446,000 carats from adjacent Katcha kimberlite dyke
- Additional Droujba bulk sampling programme increased overall bulk sample grade to 89 cpht from 70 cpht
- Katcha dyke resource at Droujba calculated on only 475m of 5,000m strike length to a depth of 150m
- Conceptual Economic Scoping Studies ("CESS") for Tongo and Droujba commence in Q1 2013 following successful fundraise
- Discussions continued with the Government of Sierra Leone on the reinstatement of the Kono licences

#### **Financial Highlights**

- \$1.4m invested in increasing defined resources at Tongo and Droujba kimberlite projects
- Loss per share of \$0.01 (2011 \$0.01)
- Net assets of \$18.6m (\$19.9m at 30 June 2012)
- \$0.5m raised through private placement in October 2012 with a further \$1.6m raised (post-balance sheet) in February 2013 to fund CESS during H1 2013

#### **Karl Smithson, Chief Executive Officer, commented:**

"During the past six months we have successfully increased the JORC compliant inferred resources for the Tongo and Droujba projects to 1.07 million and 2.92 million carats respectively, giving Stellar a global resource base of 4 million carats to date.

"The first half of 2013 will now be dedicated to completion of the conceptual economic scoping studies to better define the project economics at Tongo and Droujba. We have appointed experienced independent contractors Paradigm Project Management to conduct these studies, which are well under way and on track to be delivered within the designated time frame. A decision will then be made on whether to advance Tongo and Droujba to the pre-feasibility stage in the second half of 2013.

“I look forward to updating shareholders as we progress these key projects”.

In accordance with the AIM rules for Companies the information in this announcement has been reviewed by Karl Smithson, Chief Executive of Stellar, a qualified geologist with 24 years' experience.

For further information please contact the following or visit the Company's website at [www.stellar-diamonds.com](http://www.stellar-diamonds.com).

**Stellar Diamonds plc**

Karl Smithson, Chief Executive

Tel: +44 (0) 20 7010 7686

**Charles Stanley Securities  
(Nominated Advisor and Joint Broker)**

Mark Taylor, Marc Milmo, Carl Holmes

Tel: +44 (0) 20 7149 6000

**Daniel Stewart & Company plc  
(Co-Broker)**

Martin Lampshire, Antony Legge

Tel: +44 (0) 20 7776 6550

**About Stellar Diamonds plc**

Stellar is a London (AIM: STEL) listed West African focussed diamond mining and exploration company which is advancing the Droujba and Tongo kimberlite projects in Guinea Sierra Leone respectively. These projects have a combined JORC compliant, inferred diamond resource of approximately 4 million carats. In April 2012 the Company announced a dispute with the Ministry of Mines in Sierra Leone over its two Kono licences and remains in discussions with the Government of Sierra Leone regarding the proper reinstatement of these licences.

## **Chairman's Statement**

### **Operational Review**

Stellar has continued to make excellent progress and our teams on the ground have met every key milestone in the establishment of our maiden resource statements, which were announced in March and April of 2012. At that time we declared JORC compliant inferred resources of 660,000 carats at the Tongo project and 2,474,000 carats at the Droujba project. We decided to increase these resource bases through further drilling and by the end of 2012 had increased the resources to over 1 million carats at Tongo and 3 million carats at Droujba, for a combined total of 4 million carats in resource for the Company.

The focus has now shifted towards completing conceptual economic scoping studies at both Tongo and Droujba which will essentially define project economics to within a 35% accuracy. This essentially is the onset of Pre-Feasibility studies but will give Stellar a low cost, preliminary analysis of many aspects such as mine and plant design, capital budget, operating costs and financial modelling. Depending on these results we will then advance the projects to the Pre-Feasibility stage where more accurate figures will be attained as the resources are moved to the indicated status.

### **Droujba Project**

The Droujba project comprises the 3ha Droujba pipe and the adjacent 5,000m long Katcha kimberlite dyke, where a combined resource of 3 million carats is currently established.

Resource drilling of the Droujba pipe was completed in the previous period where 8,867m were drilled. The deepest kimberlite intersection was 414m below surface and the pipe remains open at depth. Bulk sampling of the Droujba pipe continued with higher grades achieved (100cpht) than previously reported (71cpht), possibly due to better processing techniques. The bulk sampling has therefore yielded a total of 2,147 carats (+1mm) from 2,421 dry tonnes, for a grade of 89 cpht. However the resource grade has remained at 70 cpht due to the use of microdiamonds for grade determination at depth. The Company believes that since the surface grade is considerably higher there is potential for a higher grade to also be present at depth since there is continuity of geology. This will have to be tested by large diameter drilling should the project advance to the pre-feasibility stage and could result in a considerable increase in the contained resource should the higher surface grade be confirmed at depth.

The diamond product at Droujba is mainly of industrial quality. Two separate valuations were carried out on the phase-1 and phase-2 bulk sampling goods, with average modelled diamond prices of \$60/ct (March-12) and \$38/ct (October-12) respectively being achieved. This lower value is a function of both a weaker rough diamond market at the time of valuation and the paucity of larger gem stones in the overall parcel.

The on-going CESS will focus on the top 150m of the pipe that could potentially be mined as an open pit operation over a short time frame (5 years or so) in order to generate cash flow to the Company. These results should be available before the end of June 2013.

At Katcha the 5km long dyke was drilled over a short 470m section of the dyke closest to the Droujba kimberlite pipe, but only to a maximum depth of 150m. Bulk sampling generated a 477 carat parcel of diamonds for a +1mm grade of 161cpht. A resource of 446,000 carats was modelled at a grade of 140cpht for the section of drilled dyke, which only represents 10% of the whole potential resource. However, this would need to be confirmed through further drilling along the strike of the Katcha dyke. The Katcha dyke diamond value was modelled at an average of \$48/ct in the weak rough diamond market of October 2012.

## **Tongo**

The Tongo project comprises a 9km<sup>2</sup> licence area that hosts four diamondiferous kimberlites, designated Dykes 1 to 4. Only Dyke-1 has been advanced to the resource stage at this point in time, though there is clearly potential to add to this from the nearby Dykes-2, 3, and 4. Dyke-2 has a modelled diamond grade of 140cpht, whereas Dyke-4 was bulk sampled in early 2012 and gave a grade of 110cpht and diamond value of \$100 per carat. Both these kimberlites require drilling to enable them to be included in a resource statement.

Drilling and bulk sampling at Dyke-1 over the past 12 to 18 months have delivered an inferred resource of 1,074,000 carats at a grade of 120 cpht and an average modelled diamond value of \$248 per carat. At this grade and value, the in-situ kimberlite rock value is calculated to be \$297 per tonne, which is considered to be a very high value for a kimberlite.

The Tongo resource has been established over a strike length of 1.9km of the dyke to a depth of 300m. Although the resource remains open at depth it was decided to conduct the CESS on the already established 1 million carat resource, with the scenario of mining this resource over ten years. Should the preliminary economics look encouraging then infill drilling will be undertaken to increase the geological confidence of the resource as part of the pre-feasibility study.

## **Kono**

It was announced in late March 2012 that the Company had received a letter from the Ministry of Mineral Resources terminating the Kono licence. The Company strongly believes this to be an illegal revocation by the Ministry and has been in discussions at various levels of the Sierra Leone Government to have the licence properly reinstated. These discussions are on-going.

## **Market Outlook**

The rough diamond market showed weakness in the second half of 2012 as global economic uncertainty continued. Bank lending to fund diamond buying also slowed and a sluggish polished diamond market contributed to a slowdown in rough diamond buying which negatively impacted prices. Some major producers reported slightly improved prices at the end of 2012 and into early 2013 and there is cautious optimism that the worst has passed and that 2013 should see a consolidation of prices and possibly single digit growth. Stellar remains bullish on the rough diamond market in the medium to long term as there have been no significant changes to the supply-demand imbalance forecasts. Rough diamond consumption remains robust in China and India and growth is slowly returning to the United States market, which should underpin the growing demand forecasts. Supply is flat-lining and will decrease unless there are significant new sources of output, hence the forecast supply deficit remains a reality at this point in time.

With the ongoing support of shareholders, Stellar has managed to meet its key targets and milestones over this period. The Board has taken a view that to advance the current projects through CESS and pre-feasibility study is the best way forward for the Company to realise and create value for shareholders.

I would like to take this opportunity to thank all shareholders for their continued support and I look forward to 2013 being a successful year for us all.

Lord Daresbury  
Non-Executive Chairman

## Stellar Diamonds plc

### Condensed consolidated statement of comprehensive loss

(unaudited)

for the six months ended 31 December 2012

(Stated in U.S. dollars)

	Notes	Six months ended 31 December 2012 (unaudited)	Six months ended 31 December 2011 (unaudited)	Year ended 30 June 2012 (audited)
Revenue	2	-	-	370,099
Mining and processing costs		-	(586,881)	(1,274,256)
Gross loss		-	(586,881)	(904,157)
Administrative expenses				
- Impairment of tangible assets	4	-	-	(1,367,495)
- Administrative expenses		(1,547,247)	(1,360,118)	(3,124,975)
		(1,547,247)	(1,360,118)	(4,492,470)
Finance costs			-	-
<b>Loss before tax</b>		<b>(1,547,247)</b>	<b>(1,946,999)</b>	<b>(5,396,627)</b>
Income tax expense		-	-	-
<b>Loss after tax attributable to equity holders of the parent</b>		<b>(1,547,247)</b>	<b>(1,946,999)</b>	<b>(5,396,627)</b>
<b>Total comprehensive loss for the period attributable to equity holders of the parent</b>		<b>(1,547,247)</b>	<b>(1,946,999)</b>	<b>(5,396,627)</b>
Weighted average number of shares		224,100,028	216,766,659	224,100,028
<b>Basic and diluted loss per share</b>		<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>

# Stellar Diamonds plc

## Condensed consolidated statement of financial position (unaudited) as at 31 December 2012

(Stated in U.S. dollars)

	Notes	31 December 2012 (unaudited)	31 December 2011 (unaudited)	30 June 2012 (audited)
<b>Assets</b>				
<i>Non-current assets</i>				
Intangible assets	3	14,365,082	10,731,862	12,586,069
Property, plant and equipment	4	3,956,073	7,288,836	4,599,881
<b>Total non-current assets</b>		<b>18,321,155</b>	<b>18,020,698</b>	17,185,950
<i>Current assets</i>				
Inventories		-	593,797	-
Trade and other receivables		35,593	199,729	501,861
Cash and cash equivalents		205,370	1,064,509	1,537,211
<b>Total current assets</b>		<b>240,963</b>	<b>1,858,035</b>	2,039,072
<b>Total assets</b>		<b>18,562,118</b>	<b>19,878,733</b>	19,225,022
<b>Equity and liabilities</b>				
<i>Capital and reserves</i>				
Share capital		18,393,507	17,161,566	18,220,394
Share premium		27,397,626	25,055,393	27,018,776
Reverse acquisition reserve		17,073,279	17,073,279	17,073,279
Warrant reserve		-	155,235	-
Share option reserve		4,486,205	4,177,000	4,177,000
Accumulated loss		(49,292,037)	(44,450,396)	(47,744,789)
<b>Total equity</b>		<b>18,058,580</b>	<b>19,172,077</b>	18,744,660
<i>Non-current liabilities</i>				
Provision		104,369	104,369	104,369
<b>Total non-current liabilities</b>		<b>104,369</b>	<b>104,369</b>	104,369
<i>Current liabilities</i>				
Trade and other payables		399,174	602,287	375,993
<b>Total current liabilities</b>		<b>399,174</b>	<b>602,287</b>	375,993
<b>Total liabilities</b>		<b>503,543</b>	<b>706,656</b>	480,362
<b>Total equity and liabilities</b>		<b>18,562,123</b>	<b>19,878,733</b>	19,225,022

Company registration number: 5424214

# Stellar Diamonds plc

## Condensed consolidated statement of changes in equity (unaudited)

as at 31 December 2012

(Stated in U.S. dollars)

	Share capital	Share premium	Warrant reserve	Share option reserve	Reverse acquisition reserve	Accumulated loss	Total equity
Balance at 1 July 2011	17,161,566	25,055,393	155,235	4,177,000	17,073,279	(42,503,397)	21,119,076
Total comprehensive loss for the period	-	-	-	-	-	(5,396,627)	(5,396,627)
Issue of placing shares	1,058,828	2,117,655	-	-	-	-	3,176,483
Share warrants issued	-	-	-	-	-	-	-
Share issue costs	-	(154,272)	-	-	-	-	(154,272)
Warrants expired	-	-	(155,235)	-	-	155,235	-
Other shares issued	-	-	-	-	-	-	-
Share options issued	-	-	-	-	-	-	-
Balance at 30 June 2012	18,220,394	27,018,776	-	4,177,000	17,073,279	(47,744,789)	18,744,660
Total comprehensive loss for the period	-	-	-	-	-	(1,547,247)	(1,547,247)
Issue of placing shares	173,113	378,851	-	-	-	-	551,964
Share options issued	-	-	-	309,206	-	-	309,206
<b>Balance at 31 December 2012</b>	<b>18,393,507</b>	<b>27,397,626</b>	<b>-</b>	<b>4,486,205</b>	<b>17,073,279</b>	<b>(49,292,037)</b>	<b>18,058,580</b>

# Stellar Diamonds plc

## Condensed consolidated statement of cash flows (unaudited)

For the six months ended 31 December 2012

(Stated in U.S. dollars)

	Six months ended 31 December 2012 (unaudited)	Six months ended 31 December 2011 (unaudited)	Year ended 30 June 2012 (audited)
<b>Cash flows from operating activities:</b>			
Net loss for the period	(1,547,247)	(1,946,999)	(5,396,627)
Items not involving cash:			
Depreciation of property, plant and equipment	688,393	464,255	1,099,137
Impairment of property, plant and equipment	-	-	1,367,495
Share-based payment expense	309,206	-	-
Shares issued to directors in lieu of fees	-	-	186,252
Interest expense	-	-	-
Net foreign exchange (gain)/loss	(4,547)	(2,503)	49,751
Change in working capital items:			
Decrease/(Increase) in receivables	66,269	(5,242)	(307,374)
(Increase)/Decrease in stock	-	(86,555)	507,242
Increase/(Decrease) in trade and other payables	23,181	286,402	60,108
<b>Net cash used in operations</b>	<b>(464,745)</b>	<b>(1,290,642)</b>	<b>(2,434,016)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(44,585)	(602,135)	(707,047)
Payments to acquire intangible assets	(1,379,013)	(3,563,857)	(4,626,576)
<b>Net cash used in investing activities</b>	<b>(1,423,598)</b>	<b>(4,165,992)</b>	<b>(5,333,623)</b>
<b>Cash flows from financing activities</b>			
Repayment of convertible loans	-	-	-
Proceeds from issue of share capital, net of costs	551,964	-	2,835,958
Interest paid	-	-	-
<b>Net cash generated by financing activities</b>	<b>551,964</b>	<b>-</b>	<b>2,835,958</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,336,379)</b>	<b>(5,456,634)</b>	<b>(4,931,681)</b>
Cash and cash equivalents, beginning of period	1,537,211	6,518,640	6,518,640
Effect of foreign exchange rate changes	4,538	2,503	(49,748)
<b>Cash and cash equivalents, end of period</b>	<b>205,370</b>	<b>1,064,509</b>	<b>1,537,211</b>



# **Stellar Diamonds plc**

## **Notes to the consolidated financial statements (unaudited)**

### **for the six months ended 31 December 2012**

(Stated in U.S. dollars)

#### **1. Basis of presentation**

Stellar Diamonds plc (the “Company” or on a consolidated basis the “Group”) is presenting unaudited financial statements as of and for the six months ended 31 December 2012. The comparative periods presented are the audited financial statements as of and for the year ended 30 June 2012 and the unaudited financial statements as of and for the six months ended 31 December 2011.

The information for the six months ended 31 December 2012 does not constitute statutory accounts for Stellar Diamonds plc as defined in section 434 of the Companies Act 2006. A copy of the most recent statutory accounts for the year ended 30 June 2012 has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified but drew attention to the Company’s ability to continue as a going concern by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union.

#### **1.1 Going concern**

The Company’s business activities, together with the factors likely to affect its future development, its key risks and performance are set out in the Chairman’s Statement.

As discussed in the Chairman’s Statement, the Company is focusing on advancing its kimberlite projects through economic scoping studies and thereafter pre-feasibility studies. At 31 December 2012, the Company had \$0.2m in cash and in February 2013 raised an additional \$1.6m. These funds were raised to produce Conceptual Economic Scoping Studies on the Droujba and Tongo projects following the positive resource definition programmes completed in 2012. Given the positive results produced at both Tongo and Droujba, the directors believe that the Company will continue to have the ability to access sufficient levels of finance to continue the Group’s projects for the foreseeable future. On that basis, the directors continue to adopt the going concern basis in preparing these financial statements.

#### **1.2 Changes in accounting policy**

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in Stellar Diamonds plc’s latest audited financial statements as of and for the year ended 30 June 2012.

# Stellar Diamonds plc

## Notes to the consolidated financial statements (unaudited) for the six months ended 31 December 2012

(Stated in U.S. dollars)

### 2. Segments

The Company is engaged in the acquisition, exploration, development and production of diamond properties in the West African countries of Sierra Leone and Guinea. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focussed on the individual projects in geographical locations. The reportable segments under IFRS 8 are therefore as follows:

- Mandala (Guinea);
- Bomboko (Guinea);
- Kono (Sierra Leone);
- Tongo (Sierra Leone);
- Droujba (Guinea);
- Other exploration;
- Corporate activities in the United Kingdom.

Following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment for the six months ended 31 December 2012:

	Mandala	Bomboko	Kono	Tongo	Droujba	Other exploration	Corporate	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue – sale of diamonds	-	-	-	-	-	-	-	-
Segment result	(563,687)	-	-	-	-	-	(983,560)	(1,547,247)
Finance costs								-
Loss before tax								(1,547,247)
Income tax expense								-
Loss after tax								(1,547,247)
Segment assets	2,045,302	1,095,436	4,510,518	4,605,686	5,446,067	203,887	655,223	18,562,118
Segment liabilities	(74,369)	(30,000)	-	-	-	-	(399,174)	(503,543)
Net book value of intangible assets	-	-	4,497,305	4,335,787	4,926,262	191,119	414,610	14,365,083
Net book value of property, plant and equipment	2,039,904	-	9,978	264,674	1,630,302	10,847	368	3,956,073
Capital additions								
– property, plant and equipment	-	-	-	-	44,585	-	-	44,585
– intangible assets	-	-	124,730	982,800	671,483	-	-	1,779,013
Depreciation of property, plant and equipment	359,983	-	1,761	46,707	279,877	-	65	688,393

**Stellar Diamonds plc**  
**Notes to the consolidated financial statements (unaudited)**  
**for the six months ended 31 December 2012**  
(Stated in U.S. dollars)

**2. Segments (continued)**

Following is an analysis of the Group's revenue and results by reportable segment for the year ended 30 June 2012:

	Mandala	Bomboko	Kono	Tongo	Droujba	Other exploration	Corporate	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue – sale of diamonds	370,099	-	-	-	-	-	-	370,099
Segment result	(3,688,332)	(36,264)	(928)	(21,621)	(725)	-	(1,648,757)	(5,396,627)
Finance costs								-
Loss before tax								(5,396,627)
Income tax expense								-
Loss after tax								(5,396,627)
Segment assets	2,441,783	1,288,062	4,393,317	3,679,967	4,819,507	203,887	2,398,499	19,225,022
Segment liabilities	(91,289)	(30,000)	(4,000)	(307)	(3,959)	-	(350,807)	(480,362)
Share based payment expense	-	-	-	-	-	-	-	-
Carrying value of intangible assets	-	-	4,372,575	3,352,987	4,254,779	191,119	414,609	12,586,069
Net book value of property, plant and equipment	2,399,897	-	11,739	311,381	1,865,845	10,847	172	4,599,881
Capital additions								
– property, plant and equipment	27,809	-	1,795	71,714	605,729	-	-	707,047
– intangible assets	-	-	453,526	1,968,949	2,995,589	-	-	5,418,064
Depreciation of property, plant and equipment	1,098,951	-	5,031	133,449	653,008	-	186	1,890,625
Impairment of property, plant and equipment	1,367,495	-	-	-	-	-	-	1,367,495

**3. Intangible assets**

	Six months ended 31 December 2012	Year ended 30 June 2012
	\$	\$
<b>Exploration and evaluation expenditure</b>		
<b>Cost</b>		
Opening balance	27,509,319	22,091,255
Additions	1,779,013	5,418,064
Closing balance	29,288,332	27,509,319
<b>Impairment</b>		
Opening balance	14,923,250	14,923,250
Charge for the period	-	-
Closing balance	14,923,250	14,923,250
<b>Carrying value</b>	14,365,082	12,586,069

# Stellar Diamonds plc

## Notes to the consolidated financial statements (unaudited) for the six months ended 31 December 2012

(Stated in U.S. dollars)

### 4. Property, plant and equipment

	Mining assets \$	Machinery and equipment \$	Total \$
<b>Cost</b>			
At 1 July 2011	14,816,878	5,248,652	20,065,530
Additions	-	707,047	707,047
Transfer to Machinery and Equipment	(3,737,573)	3,737,573	-
At 30 June 2012	11,079,305	9,693,272	20,772,577
Additions	-	44,585	44,585
At 31 December 2012	11,079,305	9,737,857	20,817,162
<b>Depreciation</b>			
At 1 July 2011	10,681,411	2,233,165	12,914,576
Charge for the year	-	1,890,625	1,890,625
Impairment	1,367,495	-	1,367,495
Transfer to Machinery and Equipment	(969,601)	969,601	-
At 30 June 2012	11,079,305	5,093,391	16,172,696
Charge for the period	-	688,393	688,393
Impairment	-	-	-
At 31 December 2012	11,079,305	5,781,784	16,861,089
<b>Net book value</b>			
<b>At 31 December 2012</b>	<b>-</b>	<b>3,956,073</b>	<b>3,956,073</b>
At 30 June 2012	-	4,599,881	4,599,881

Included within mining assets is the rehabilitation provision for Mandala and Bomboko of \$104,369 (30 June 2012: \$104,369).

### 5. Post Balance Sheet Events

In February 2013, the company issued 41,960,640 ordinary shares of 1p each at a placing price of 2.65p per share raising £1.1m (\$1.6m) before expenses.

6. The Company's unaudited six month results to 31 December 2012 will be available to download from the Company's website at [www.stellar-diamonds.com](http://www.stellar-diamonds.com).