Stellar Diamonds plc

Reports and Financial Statements

For the year ended 30 June 2013

(Stated in U.S. Dollars)

Company registration number: 5424214

Stellar Diamonds plc
For the year ended 30 June 2013

Table of contents

Corporate information

Registered office:	355-359 Strand, London WC2R 0HS, United Kingdom
Company registration number:	5424214
Company incorporated on:	14 April 2005
Company web site:	www.stellar-diamonds.com

CHAIRMAN'S STATEMENT

Stellar continues to make good progress on its strategy of advancing key diamonds projects towards production. This past year we have delivered on our objectives of increasing our diamond resource base and conducting preliminary economic scoping studies at the Tongo and Droujba projects. Stellar now has a signed-off inferred resource base of 4 million carats, a 29% increase compared to last year.

At Tongo, the JORC compliant diamond resource was increased from 660,000 carats to 1.1 million carats through additional drilling. The diamond grade was confirmed at 120cpht through further sampling and the average diamond value modelled at $248 per carat provides Stellar with a very high in-situ kimberlite value of $298 per tonne.

At the Droujba project, the JORC compliant diamond resource increased from 2.5 million carats to 3.1 million carats through drilling and sampling a small 700m section of the 5,000m long Katcha dyke which runs adjacent to the Droujba pipe. The Katcha dyke has a grade of 140cpht and modelled diamond value of $57 per carat. The project diamond resource could be considerably expanded through further drilling and sampling of the Katcha Dyke. Further bulk sampling of the Droujba pipe confirmed a grade of 88cpht and diamond value of $45 per carat.

In order to prioritise our projects, Stellar decided to conduct economic scoping studies of the existing resources at Tongo and Droujba projects, using the existing revenues. Paradigm Project Management (PPM), based in Johannesburg, was appointed as independent consultants to undertake this work.

The conclusion was that the Tongo project was deemed to have better economic potential than the Droujba project under current market conditions, primarily due to the higher diamond grade and value of Dyke-1 compared to the Droujba pipe. Based on the work conducted by PPM and extrapolating for the Board's assessment, Tongo has a calculated NPV of $53 million. Therefore, the Board decided to prioritise and accelerate the Tongo project through the feasibility study stage and, hopefully, towards a production decision in the latter part of 2014.

Although Droujba has potential for a short term, three year open pit mining operation producing over 300,000 carats; a higher diamond price is required to make a larger scale mine feasible. The Company has placed Droujba on care and maintenance with the economics periodically reviewed as the diamond price changes going forward. The current consensus is that the rough diamond price will increase significantly in the next few years and the Board believes that Droujba has the potential to deliver a good return for shareholders.

The Kono licence dispute with the Ministry of Mines continued, though little progress has been made towards the reinstatement of the two permits that the Company believes were wrongly revoked. Legal opinions by local Sierra Leonean and International based lawyers support the Company's position and although the Board prefers a negotiated settlement, it is currently considering its legal position in respect of this issue.

Stellar completed two share placings with new and existing shareholders this year, raising a total of £2.6 million. These funds were primarily allocated towards the scoping studies and ongoing Tongo costs as part of the feasibility study.

For the year ended 30 June 2013, the Group incurred an operating loss before interest, tax and impairments of $3.0m (2012: $4.0m). In addition to this, an impairment charge of $2.0m (2012: $1.4m) was recognised in the year. The operating loss is in line with the Board's expectations given the Group's stage of development and has reduced steadily over recent years. The impairment charge related to the Droujba project in Guinea following the results of the Conceptual Economic Scoping Study completed in the year and the decision to focus on Tongo kimberlite project in Sierra Leone. At the balance sheet date, the Group had net assets of $16.3 million, and no debt.

The rough diamond market continues to show some volatility in pricing, though a good first half of 2013 was generally reported by producers. However, tight liquidity is an ongoing issue as the diamond banks continue to tighten credit lines, and a weakening rupee has not helped the predominantly Indian manufactures. Nevertheless, the fundamentals of the diamond market remain robust with a long term supply deficit forecast as rough and polished demand is driven by strong growth in Chinese, and to a lesser extent Indian and USA, diamond jewellery consumption. Although some new diamond mines are coming on stream over the next five years, these are unlikely to meet the demand growth in the longer term and therefore the consensus remains that rough prices will significantly increase as a result.

The Board believes the next year will be a key milestone in the Company’s history which will hopefully lead to a positive decision in favour of production at the Tongo project. The Board remains confident that if the current rough diamond price increases with the expected consensus, the Droujba project will become economically viable.

I would like to extend my thanks to the continued support of shareholders in difficult market conditions. Your Company is well positioned to evolve from an exploration to mining company and fulfil its strategy of becoming a diamond producer in a market that has some of the best economic fundamentals the resource sector has to offer. I would finally like to thank the Stellar management and staff for their unwavering commitment to meeting all targets and objectives under often very challenging conditions. I am confident that they will continue to deliver results and with the support of shareholders will take this Company to the next level.

Peter Daresbury.

Lord Daresbury
Non-Executive Chairman
21st November 2013

DIRECTORS’ REPORT

The directors submit their report and the consolidated financial statements for Stellar Diamonds plc (the “Company” or “Stellar” or on a consolidated basis the “Group”), for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Company is that of diamond development in West Africa.

No dividends have been paid or are proposed for the year (2012: nil).

A review of the significant developments and operating results of the Group, as well as the business environment, future prospects and the main trends and factors that are likely to affect the future development, performance and position of the Group’s business are contained in the Chairman’s Statement.

KEY PERFORMANCE INDICATORS

Given the early stage nature of the Group’s kimberlite portfolio, the directors are of the opinion that analysis using financial KPIs is not appropriate for an understanding of the development, performance or position of the business at this time.

However, the directors constantly review the planned exploration and evaluation expenditure and general operating costs to ensure that cash resources are available prior to commitment to this expenditure.

In addition to the above, the Board also considers non-financial factors such as the Group’s compliance with Corporate Governance Guidelines for AIM Companies and compliance with environmental, rehabilitation and other legislation within the Group’s areas of operations.

SHARE CAPITAL

On 24 October 2012 a total of 10,828,750 ordinary shares of 1p each were allotted and issued for gross proceeds of $553,961.

On 5 February 2013 a total of 41,960,640 ordinary shares of 1p each were allotted and issued for gross proceeds of $1,743,771.

GOING CONCERN

Information in relation to going concern is disclosed in note 1.2 of the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group made no political or charitable contributions during the year.

DIRECTORS

During the year under review, the following directors held office:

Lord Daresbury	Non-Executive Chairman
N. Karl Smithson	Chief Executive Officer
James Campbell	Non-Executive Director
Luis Guilherme Cabrita da Silva	Non-Executive Director
Steven J. Poulton	Non-Executive Director
Dr. Markus Elsasser*	Non-Executive Director

* Appointed to the Board on 22 November 2012

On 25 June 2013 Narjess Naouar resigned as Company Secretary and Philip Knowles was appointed as Company Secretary.

DIRECTORS’ INTERESTS

The directors’ interests in the ordinary shares of the Company as of 30 June 2013 are disclosed in note 17 of the Financial Statements.

SUBSTANTIAL SHAREHOLDINGS

At 23 October 2013 so far as the Company is aware, the only holdings of 3% or more in the issued share capital are:

Foradex Invest SRL	13.18%
UBS Deutschland	13.01%
Nassim Funds	8.96%
Aureus Mining Inc	6.25%
Hottinger (Adam & Co)	5.00%
Blackrock Investment Management (UK) Limited	3.93%
Barclayshare Stockbrokers Limited	3.93%

RISKS AND UNCERTAINITIES

The realisation of exploration and evaluation assets is dependent on the discovery and successful development of economic reserves including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the balance sheet would be written off to the statement of comprehensive income. Significant potential risks to the value included in the balance sheet include:

- price fluctuations;
- foreign exchange risks;
- uncertainties over development and operational costs;
- political and legal risks, including arrangements with governments for licenses, profit sharing and taxation;
- foreign investment risks including increases in taxes, royalties and renegotiation of contracts;
- liquidity risks;
- funding risks;
- going concern; and
- operational and environmental risks.

SUPPLIER PAYMENT POLICY

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2013 were equivalent to 20 (2012: 20) days purchases.

PROPERTY PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment is set out in Note 11 to the Financial Statements.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 18 to the Financial Statements.

Corporate Social Responsibility

The Group is subject to best practice standards and extensive regulations, which govern environmental protection. The Group is committed to uphold these standards and regulations as a minimum and to keep these important matters under continuous review. When appropriate, adequate action and provision is immediately taken to ensure full compliance with the standards expected of an international exploration and development company.

In particular, the Group aims to provide employees with a healthy and safe working environment whilst receiving payment that enables them to maintain a reasonable lifestyle for themselves and their families.

The Group works towards positive and constructive relationships with government, neighbours and the public, ensuring fair treatment of those affected by the Group's operations.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS
Details of significant post balance sheet events affecting the Group and Company are set out in Note 19 to the Financial Statements.

AUDITORS
Each of the persons who is a director at the date of approval of this report confirms that:

1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act, 2006.

A resolution to reappoint Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 21st November 2013 and signed on its behalf by:

Peter Daresbury

N. Karl Smithson

Lord Daresbury

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STELLAR DIAMONDS PLC

We have audited the financial statements of Stellar Diamonds plc for the year ended 30 June 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements for the year ended 30 June 2013 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in:

- Notes 8, 9, 11 and 12 to the financial statements concerning the valuation of intangible and tangible assets, the recoverability of amounts due from subsidiaries and the recoverability of investments in subsidiaries. The realisation of intangible assets of \$13,663,445 and property, plant and equipment of \$3,278,294 included in the consolidated statement of financial position and intangible assets of \$1,302,561, investment in subsidiaries of \$4,157,484 and amounts due from subsidiaries of \$11,083,731 included in the company statement of financial position are dependent on a satisfactory outcome to the licence dispute disclosed in Note 8 and on the discovery and successful development of economic mineral reserves which are subject to a number of uncertainties including the group's ability to raise sufficient finance to develop the projects. The financial statements do not contain any adjustments relating to these uncertainties and the ultimate outcome cannot, at present, be determined.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STELLAR DIAMONDS PLC (continued)

- Note 1.2 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a loss for the year of $4,998,492 and had net current liabilities of $512,111 at the balance sheet date. This indicates the existence of a material uncertainty which may cast significant doubt on the ability of the company and the group to continue as a going concern. The going concern assumption of the group is dependent on the group obtaining additional finance to meet its working capital needs for a period of not less than 12 months after the date of approval of the financial statements. On the basis that additional finance can be obtained, the directors have prepared the financial statements of the group on the basis that the group is a going concern. The financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would occur if the group or company was unable to continue as a going concern.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kevin Sheehan (Senior Statutory Auditor)
for and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Auditors

Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

21st November 2013

Stellar Diamonds plc

Consolidated statement of comprehensive income
For the year ended 30 June 2013

(Stated in U.S. dollars)

	Notes	Year ended 30 June 2013	Year ended 30 June 2012
Revenue	3	-	370,099
Cost of sales		-	(1,274,256)
Gross loss		-	(904,157)
Impairment of property, plant and equipment	11	-	(1,367,495)
Impairment of intangibles	8	(2,000,000)	-
Administrative expenses		(2,998,492)	(3,124,975)
		(4,998,492)	(4,492,470)
Loss before tax		(4,998,492)	(5,396,627)
Income tax expense	6	-	-
Loss after tax attributable to equity holders of the parent	4	(4,998,492)	(5,396,627)
Total comprehensive expense for the year attributable to equity holders of the parent		(4,998,492)	(5,396,627)
Weighted average number of shares		307,884,858	224,100,028
Basic and diluted loss per share	7	(0.02)	(0.02)

Stellar Diamonds plc

Consolidated and company statement of financial position
As at 30 June 2013

(Stated in U.S. dollars)

	Notes	Consolidated 30 June 2013	Consolidated June 2012	Company 30 June 2013	Company 30 June 2012
Assets					
Non-current assets					
Intangible Assets	8	13,663,445	12,586,069	1,302,561	1,302,561
Property, plant and equipment	11	3,278,294	4,599,881	-	-
Investment in Subsidiary	9	-	-	4,157,484	4,157,484
Total non-current assets		16,941,739	17,185,950	5,460,045	5,460,045
Current assets					
Trade and other receivables	12	37,506	501,861	11,104,479	12,409,377
Cash and cash equivalents		60,669	1,537,211	531	9,570
Total current assets		98,175	2,039,072	11,105,010	12,418,947
Total assets		17,039,914	19,225,022	16,565,055	17,878,992
Equity and liabilities					
Capital and reserves					
Share capital	13	19,051,534	18,220,394	19,051,534	18,220,394
Share premium	13	28,457,522	27,018,776	28,457,522	27,018,776
Reverse acquisition reserve	2	17,073,279	17,073,279	-	-
Share option reserve	14	4,423,538	4,177,000	2,089,620	1,843,082
Foreign currency translation reserve		-	-	(773,363)	(773,363)
Accumulated loss		(52,680,614)	(47,744,789)	(32,500,055)	(28,564,229)
Total equity		16,325,259	18,744,660	16,325,258	17,744,660
Non-current liabilities					
Provision	15	104,369	104,369	-	-
Total non-current liabilities		104,369	104,369	-	-
Current liabilities					
Trade and other payables	16	610,286	375,993	239,797	134,332
Total current liabilities		610,286	375,993	239,797	134,332
Total liabilities		714,655	480,362	239,797	134,332
Total equity and liabilities		17,039,914	19,225,022	16,565,055	17,878,992

The financial statements of Stellar Diamonds plc, registered number: 5424214 were approved by the Board of Directors and authorised for issue on 21st November 2013. They were signed on its behalf by:

Peter Daresbury

N. Karl Smithson

Lord Daresbury

Stellar Diamonds plc

Consolidated statement of changes in equity

For the year ended 30 June 2013

(Stated in U.S. dollars)

	Share capital (note 13)	Share premium (note 13)	Warrant reserve	Share option reserve (note 14)	Reverse acquisition reserve (note 2)	Accumulated loss	Total equity
Balance at 30 June 2011	17,161,566	25,055,393	155,235	4,177,000	17,073,279	(42,503,397)	21,119,076
Total comprehensive income for the year	-	-	-	-	-	(5,396,627)	(5,396,627)
Issue of placing shares (note 13)	1,058,828	2,117,655	-	-	-	-	3,176,483
Share issue costs (note 13)	-	(154,272)	-	-	-	-	(154,272)
Warrants expired	-	-	(155,235)	-	-	155,235	-
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 income for the year	-	-	-	-	-	(4,998,492)	(4,998,492)
Issue of placing shares (note 13)	831,140	1,466,592	-	-	-	-	2,297,732
Share issue costs (note 13)	-	(27,846)	-	-	-	-	(27,846)
Share options issued (note 14)	-	-	-	309,205	-	-	309,205
Share options expired (note 14)	-	-	-	(62,667)	-	62,667	-
Balance as at 30 June 2013	19,051,534	28,457,522	-	4,423,538	17,073,279	(52,680,614)	16,325,259

Stellar Diamonds plc

Company statement of changes in equity

For the year ended 30 June 2013

(Stated in U.S. dollars)

	Share capital (note 13)	Share premium (note 13)	Warrant reserve	Share option reserve (note 14)	Foreign currency translation reserve (note 2.2)	Accumulated loss	Total equity
Balance at 30 June 2011	17,161,566	25,055,393	155,235	1,843,082	(773,363)	(22,322,837)	21,119,076
Total comprehensive income for the year	-	-	-	-	-	(6,396,627)	(6,396,627)
Issue of placing shares (note 13)	1,058,828	2,117,655	-	-	-	-	3,176,483
Share issue costs (note 13)	-	(154,272)	-	-	-	-	(154,272)
Warrants expired	-	-	(155,235)	-	-	155,235	-
Balance at 30 June 2012	18,220,394	27,018,776	-	1,843,082	(773,363)	(28,564,229)	17,744,660
Total comprehensive income for the year	-	-	-	-	-	(3,998,493)	(3,998,493)
Issue of placing shares (note 13)	831,140	1,466,592	-	-	-	-	2,297,732
Share issue costs (note 13)	-	(27,846)	-	-	-	-	(27,846)
Share options issued (note 14)	-	-	-	309,205	-	-	309,205
Share options expired (note 14)	-	-	-	(62,667)	-	62,667	-
Balance at 30 June 2013	19,051,534	28,457,522	-	2,089,620	(773,363)	(32,500,055)	16,325,258

Stellar Diamonds plc

Consolidated and company statement of cash flows
For the year ended 30 June 2013

(Stated in U.S. dollars)

	Consolidated		Company	
	June 2013	June 2012	June 2013	June 2012
Cash flows from operating activities:				
Net loss for the year	(4,998,492)	(5,396,627)	(3,998,493)	(6,396,627)
Adjustments for:				
Depreciation of property, plant and equipment	720,096	1,099,137	-	-
Impairment of intangibles	2,000,000	-	-	-
Impairment of property, plant and equipment	-	1,367,495	-	-
Share-based payment expense	309,205	-	309,205	-
Shares issued to directors and officers in lieu of fees	175,570	186,252	175,570	186,252
Net foreign exchange loss/(gain)	31,898	49,751	(4,515)	(1,241)
Change in working capital items:				
Decrease/(Increase) in receivables	464,354	(307,374)	1,304,897	3,423,333
Decrease/(Increase) in stock	-	507,242	-	-
Increase/(Decrease) in trade and other payables	234,293	60,108	105,465	(181,753)
Net cash used in operations	(1,063,076)	(2,434,016)	(2,107,871)	(2,970,036)
Cash flows from investing activities				
Purchases of property, plant and equipment	(55,199)	(707,047)	-	-
Payments to acquire intangible assets	(2,420,686)	(4,626,576)	-	-
Net cash used in investing activities	(2,475,885)	(5,333,623)	-	-
Cash flows from financing activities				
Proceeds from issue of share capital, net of costs	2,094,317	2,835,958	2,094,317	2,835,958
Net cash generated by financing activities	2,094,317	2,835,958	2,094,317	2,835,958
Net (decrease)/increase in cash and cash equivalents	(1,444,644)	(4,931,681)	(13,554)	(134,078)
Cash and cash equivalents, beginning of year	1,537,211	6,518,640	9,570	142,406
Effect of foreign exchange rate changes	(31,898)	(49,748)	4,515	1,242
Cash and cash equivalents, end of year	60,669	1,537,211	531	9,570

1. Basis of preparation

Stellar Diamonds plc

On 22 February 2010, the Company completed its acquisition of Stellar Diamonds Limited in a share for share exchange.

Under the terms of the acquisition agreement, the Company agreed to acquire the entire issued share capital of Stellar Diamonds Limited for a consideration equating to approximately three times the value of West African Diamonds plc. ("WAD"), represented by an approximate 75:25 split of the share capital in the enlarged group prior to the issue of Placing shares - 75 per cent being attributable to consideration shares to be allotted to Stellar Diamonds Limited shareholders and 25 per cent being attributable to ordinary shares held by WAD plc shareholders. Subsequent to the acquisition WAD plc changed its name to Stellar Diamonds plc.

1.1 Basis of accounting

Stellar Diamonds plc is presenting audited financial statements as of and for the year ended 30 June 2013. The comparative period presented is audited financial statements as of and for the year ended 30 June 2012.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as published by the IASB. The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and in accordance with the Companies Act, 2006. The consolidated financial statements have been prepared on an historical cost basis, as adjusted for certain financial instruments carried at fair value.

1.2 Going concern

The group made a loss for the year of $4,998,492 and had net current liabilities of $512,111 at the balance sheet date.

During the year the Group raised just over $2.2m through two placings. Following the year end, in July 2013 the Group raised a further $2.4m to further advance its evaluation programme at the Tongo project in Sierra Leone.

Given the positive exploration and evaluation results produced at Tongo to date and the stage of development of the project, the directors believe that the Company will continue to have the ability to access sufficient levels of finance to meet essential administrative expenses and 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.

The going concern of the group is dependent on obtaining additional finance in order to meet its working capital needs for a period of not less than twelve months from the date of approval of the financial statements and to continue to fund development of exploration projects. This indicates the existence of a material uncertainty which may cast significant doubt on the ability of the company and the group to continue as a going concern.

The directors are confident that they can fulfil the funding requirements of the company through attracting funding through joint ventures, sale of assets, re-commencement of mining, reducing overheads or the issue of further shares by way of private placement. On this basis, the directors are satisfied that it is appropriate to prepare the financial statements of the group on a going concern basis. The financial statements do not include any adjustment to the carrying amount or classification of assets and liabilities that would occur if the company was unable to continue as a going concern.

1. Basis of preparation (continued)

1.3 Standards adopted during the year

The Company has adopted the following standards which are effective for the first time this year.

- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (1 July 2012)
- Amendments to IAS 12 (Dec 2010) – Deferred Tax: Recovery of Underlying Assets (1 January 2012)

The adoption of these standards and interpretations did not have a material impact to the consolidated financial statements.

1.4 Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised have not been adopted early.

- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014)
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (1 January 2014)
- Annual Improvements to IFRSs: 2009-2011 Cycle (1 January 2013)
- Amendments to IFRS 1 – Government Loans (1 January 2013)
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (1 January 2014)
- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (1 January 2013)
- IFRS 9 – Financial Instruments (1 January 2015)
- IAS 19 (Revised June 2011) – Employee Benefits (1 January 2013)
- IFRS 13 – Fair Value Measurement (1 January 2013)
- IFRS 12 – Disclosure of Interests in Other Entities (1 January 2014)
- IFRS 11 – Joint Arrangements (1 January 2014)
- IFRS 10 – Consolidated Financial Statements (1 January 2014)
- IAS 28 (revised May 2011) – Investments in Associates and Joint Ventures (1 January 2014)
- IAS 27 (revised May 2011) – Separate Financial Statements (1 January 2014)
- IFRIC 21 – Levies (1 January 2014)
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)

2. Significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements, unless otherwise stated.

2.1 Basis of consolidation

2.1.1 <u>Business combinations</u>

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

2. Significant accounting policies (continued)

2.1.2 Reverse acquisition

Stellar Diamonds Limited completed its reverse acquisition of West African Diamonds plc (WAD) in February 2010. A reverse acquisition occurs when the company that issues equity securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) is treated as the acquirer for accounting purposes.

In a reverse acquisition, the accounting acquirer usually issues no consideration for the acquiree. Instead, the accounting acquiree usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the reverse acquisition.

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but described in the notes as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. That adjustment is required to reflect the capital of the legal parent (the accounting acquiree). Comparative information presented in the consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

Because the consolidated financial statements represent the continuation of the financial statements of the legal subsidiary except for its capital structure, the consolidated financial statements on the date of acquisition reflect:

(a) the assets and liabilities of the legal subsidiary (the accounting acquirer) recognised and measured at their pre-combination carrying amounts;

(b) the assets and liabilities of the legal parent (the accounting acquiree) recognised and measured in accordance with IFRS 3;

(c) the retained earnings and other equity balances of the legal subsidiary(accounting acquirer) before the business combination; and

(d) the amount recognised as issued equity interests in the consolidated financial statements determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the business combination to the fair value of the legal parent (accounting acquiree) determined in accordance with this IFRS. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (the accounting acquiree) issued in the reverse acquisition.

2. Significant accounting policies (continued)

2.1.3 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are stated at cost less any provision for impairment.

2.1.4 Transactions eliminated on consolidation

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in U.S. dollars ("$"), which is the functional and presentation currency for all the group's operations.

2.2.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Mining assets, which include evaluation and development costs capitalised prior to commencement of production, are depreciated using a unit of production method based on the quantity of carats produced over the estimated economically recoverable reserves.

Machinery and equipment, which is comprised of office furniture, automobiles and other equipment, are depreciated at 30% per annum on a reducing balance basis.

2. Significant accounting policies (continued)

Assets in the course of construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4 Intangible Assets - Exploration and evaluation expenditure

The Group follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and evaluation are capitalized pending determination of the feasibility of the project. These assets are not depreciated.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Group measures, presents and discloses any resulting impairment loss in the consolidated statement of comprehensive income.

The facts and circumstances indicating impairment include the following:

- the period for which the Group has a right to explore in the specific area has expired or is expected to expire;
- exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources and the group has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; or
- substantive expenditure or further exploration and evaluation in the specific area is neither budgeted nor planned.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management.

Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of comprehensive income.

2.5 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. Significant accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

2.6 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

2.7 Decommissioning, mine closure and environmental rehabilitation

The estimated cost of decommissioning, mine closure and environmental rehabilitation is based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment.

2.8 Financial instruments

<u>Loans and receivables</u>

Trade receivables, loans and other receivables that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

<u>Impairment of financial assets at amortised cost</u>

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

2. Significant accounting policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.9 Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Significant accounting policies (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.10 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Equity-settled share options granted to employees vest immediately and therefore the charge is recognised in the consolidated statement of comprehensive income at the grant date.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2.11 Revenue recognition

Revenue relating to sale of diamonds is measured at the fair value of the consideration received or receivable. Revenue is recognised when the following conditions are satisfied:

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

2.12 Critical accounting judgements and sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

2. Significant accounting policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and judgements made in applying specific accounting policies are as follows:

Share based payments

In determining the fair value of share-based payments made during the period to employees and those parties providing services of a similar nature, a number of assumptions have been made by management. The details of these assumptions are reflected in note 14.

Carrying value of non-current assets

The outcome of ongoing exploration, and therefore whether the carrying value of the machinery and equipment and exploration and evaluation expenditures will ultimately be recovered, is inherently uncertain.

The ability of the Company to realise the carrying values of these assets is contingent upon production or discovery of economically recoverable mineral reserves, the on-going title to the resource properties, the ability of the Company to finance the development of the properties and on the future profitable production or proceeds from the property. The success of the Company's mineral exploration properties is also influenced by significant risks, including legal and political risks and future diamond prices.

The directors make the judgements necessary to implement the Group's policy with respect to capitalisation of these assets and consider them for impairment at least annually with reference to indicators in IAS 36 and IFRS 6. If an indication exists, an assessment is made of the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected future cash flows) and fair value less costs to sell. Value in use is estimated based on operational forecasts for advanced stage projects with key inputs that include diamond resources, diamond prices, production levels including grade and tonnes processed, production costs and capital expenditure. However, because of the above-mentioned uncertainties, actual future cash flows could materially differ from those estimated. The carrying value of property, plant and equipment and exploration and evaluation costs are set out in notes 8 and 11.

Provisions

Estimates and assumptions are made in determining the amount attributable to rehabilitation provision. These deal with uncertainties such as legal and regulatory framework, timing and future costs. The carrying value of the rehabilitation provision is disclosed in note 15.

Depreciation of mining assets

In order to calculate depreciation on mining assets, the Group estimates commercially recoverable reserves based on an independent report prepared by a competent person in accordance with June 2009 Note for Mining, Oil and Gas Companies issued by the London Stock Exchange plc, Alternative Investment Market.

During the previous year, all mining assets were fully impaired and have a zero net book value at 30 June 2013.

(Stated in U.S. dollars)

3. 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 focused 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; and
- Corporate activities in the United Kingdom.

Following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment for the year ended 30 June 2013:

	Mandala	Bomboko	Kono	Tongo	Droujba	Other exploration	Corporate	Total
	$	$	$	$	$	$	$	$
Revenue – sale of diamonds	-	-	-	-	-	-	-	-
Segment result	(1,092,305)	-	-	-	(2,000,000)	-	(1,906,187)	(4,998,492)
Finance costs								-
Loss before tax								(4,998,492)
Income tax expense								-
Loss after tax								(4,998,492)
Segment assets	1,694,819	902,810	4,700,766	4,980,468	4,048,427	203,887	508,737	17,039,914
Segment liabilities	(84,390)	(30,000)	(2,000)	(82,112)	(82,914)	-	(433,239)	(714,655)
Share based payment expense	-	-	-	-	-	-	309,205	309,205
Carrying value of intangible assets	-	-	4,690,215	4,756,162	3,611,340	191,119	414,609	13,663,445
Net book value of property, plant and equipment	1,682,143	-	8,217	220,107	1,355,666	10,847	1,314	3,278,294
Capital additions								
– property, plant and equipment	2,222	-	-	2,140	49,573	-	1,264	55,199
– intangible assets	-	-	317,639	1,403,175	1,356,562	-	-	3,077,376
Depreciation of property, plant and equipment	719,966	-	3,522	93,414	559,754	-	130	1,376,786
Impairment of intangibles	-	-	-	-	2,000,000	-	-	2,000,000

(Stated in U.S. dollars)

3. 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)
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

4. Loss for the year

Loss for the year has been arrived at after charging:

	Year ended 30 June 2013	Year ended 30 June 2012
	$	$
Fees payable to the company's auditors for the audit of the group's accounts:		
- audit services	38,457	35,250
- non-audit services	-	-
Net foreign exchange loss	31,898	49,751
Depreciation of property, plant and equipment	720,096	1,099,137
Impairment of Property, Plant and Equipment	-	1,367,495
Impairment of Intangibles	2,000,000	-
Share-based payments	309,205	-

$656,690 of depreciation charges were capitalised as exploration and evaluation expenditure during the year and consequently are not included in the Statement of Comprehensive Income (2012: $791,488).

(Stated in U.S. dollars)

5. Staff costs

	Year ended 30 June 2013	Year ended 30 June 2012
	$	$
Wages and salaries	1,459,952	1,882,246
Social security costs	95,793	142,777
Share-based payments	309,205	-
	1,864,950	2,025,023

The average monthly number of employees (including executive directors) was 161 (30 June 2012: 191). The remuneration of key management personnel is further disclosed in note 17.

$632,504 of staff costs were capitalised as exploration and evaluation expenditure during the year and consequently are not included in the Statement of Comprehensive Income (2012: $963,531).

6. Income tax expense

	Year ended 30 June 2013	Year ended 30 June 2012
	$	$
Current taxation	-	-
Deferred taxation	-	-
	-	-

The analysis of the group's taxation charge for the year based on the company's statutory tax rate of 23% is as follows:

	Year ended 30 June 2013	Year ended 30 June 2012
	$	$
Loss for the year	(4,998,492)	(5,396,627)
Tax at the UK corporation tax rate of 23% (2012: 24%)	(1,149,653)	(1,295,190)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(87,349)	(320,424)
Impairment not deductible for taxation purposes	700,000	328,199
Tax losses not utilised and carried forward	285,014	858,300
Depreciation in excess of capital allowances	251,988	429,115
	-	-

A deferred taxation asset is not recognised in respect of carried forward losses due to uncertainty over the utilisation of the losses. The unrecognised deferred taxation asset is $4,148,298 (30 June 2012: $3,863,284) based on carried forward tax losses of $12,083,105 (30 June 2012: of $11,037,954) which expire 10 years from the date these were incurred.

(Stated in U.S. dollars)

7. Loss per share

	30 June 2013	30 June 2012
	$	$
Loss after tax attributable to equity holders of the parent	(4,998,492)	(5,396,627)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	307,884,858	224,100,028
Basic and diluted loss per share	(0.02)	(0.02)

Basic and diluted loss per share are the same as the effect of the outstanding share options are anti-dilutive and are therefore excluded. Outstanding share options are detailed in note 14.

8. Intangible assets

	Consolidated		Company	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	$	$	$	$
Exploration and evaluation expenditure:				
Cost				
Opening balance	27,509,319	22,091,255	4,408,327	4,408,327
Additions	3,077,376	5,418,064	-	-
Closing balance	30,586,695	27,509,319	4,408,327	4,408,327
Impairment				
Opening balance	14,923,250	14,923,250	3,105,766	3,105,766
Charge for the year	2,000,000	-	-	-
Closing balance	16,923,250	14,923,250	3,105,766	3,105,766
Carrying value	13,663,445	12,586,069	1,302,561	1,302,561

At 30 June 2013, the group did not have any contractual commitments for the acquisition of intangible assets.

The realisation of the net carrying value of intangible assets of $13,663,445 is dependent on the discovery and successful development of economic mineral reserves including the group's ability to raise sufficient finance to develop the projects and other factors, as discussed in note 2.12.

Following the completion of the Conceptual Economic Scoping Study on the Droujba project in the year, the directors undertook an impairment review of the Exploration and Evaluation expenditure on the Droujba project and determined that an impairment charge of $2,000,000 be made to the statement of comprehensive income. The impairment review took the form of a net present value calculation taking into account a number of key assumptions:

- economically recoverable reserves are based on management's expectations and technical studies undertaken internally and by a Competent Person, where available;
- diamond prices are based on independent valuations and models and subsequent rough price changes and an annual increase of 4.5% thereafter;
- discount rate of 10%;
- inflation rate of 4.5%;and
- the projected life of the potential mine of 3 years .

(Stated in U.S. dollars)

8. Intangible assets (continued)

The net present value calculation is most sensitive to the modeled diamond price used. A 10% increase or decrease in the modeled diamond price would result in an increase or decrease in the value of the asset of approximately $1.5m.

In the previous year a dispute emerged in relation to the two exploration licenses held for the Kono site. The group received a letter from the Ministry of Mines of Sierra Leone ("The Ministry") which asserts that the Ministry ought not to have granted the renewals of the Company's licences in 2010 under the Mines and Minerals Act of 2009 and that as a result the Company no longer has mineral rights over the licences. The Company disputes the assertions and has continued to pursue the available political, diplomatic and legal routes available. Should these routes prove unsuccessful the carrying value included in the statement of financial position would be written off to the Statement of Comprehensive Income.

9. Investment in subsidiaries

	30 June 2013	30 June 2012
	$	$
At cost, unlisted:		
Opening and Closing balance	4,157,484	4,157,484

The wholly-owned subsidiaries of the Company at 30 June 2013 are:

Company	Country of incorporation	Nature of business
Stellar Diamonds Limited	Guernsey	Holding company
West African Diamonds SARL	Guinea	Diamond producer
Castlebay Resources Limited	Scotland	Prospecting and exploration of diamonds
Basama Diamonds Ltd. and its branch:	Republic of Seychelles	Prospecting and exploration of diamonds
Basama Diamond Ltd. (Sierra Leone Branch)	Sierra Leone	Prospecting and exploration of diamonds
Sierra Diamonds Limited and its branch:	British Virgin Islands	Prospecting and exploration of diamonds
Sierra Leone Diamonds Limited (Sierra Leone Branch)	Sierra Leone	Prospecting and exploration of diamonds
Guinean Diamond Corporation Ltd. and its subsidiaries	Republic of Seychelles	Holding company
Mano River Diamants Guinee SA	Guinea	Prospecting and exploration of diamonds
Ressources Mandala Guinée SARL	Guinea	Diamond producer
Friendship Diamonds Guinee SA	Guinea	Prospecting and exploration of diamonds

The realisation of investments in subsidiaries of $4,157,484 is dependent on the discovery and successful development of economic mineral reserves and other factors, as discussed in note 2.12.

(Stated in U.S. dollars)

10. Parent company income statement

As permitted by Section 408 of the Companies Act 2006 the parent company's income statement has not been presented in these financial statements. The loss after taxation for the parent company for the year ended 30 June 2013 was $3,998,493 (year ended 30 June 2012: Loss $6,396,627).

11. Property, plant and equipment

	Mining assets	Machinery and equipment	Total
	$	$	$
Cost:			
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	-	55,199	55,199
At 30 June 2013	11,079,305	9,748,471	20,827,776
Depreciation:			
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 year	-	1,376,786	1,376,786
Impairment	-	-	-
At 30 June 2013	11,079,305	6,470,177	17,549,482
Carrying value:			
At 30 June 2013	-	3,278,294	3,278,294
At 30 June 2012	-	4,599,881	4,599,881

In accordance with the accounting policy stated in note 2.5, the Group tests property, plant and equipment for impairment when an indication of impairment exists. The recoverable amount of cash generating units is determined based on value-in-use calculations, which require the use of estimates. Cash flows were estimated over a period of 10 years. The estimated cash flows from the exploration projects produced net present values well in excess of their carrying values and are based on the following assumptions:

- economically recoverable reserves and resources are based on management's expectations based on availability of reserves at mine sites and technical studies undertaken internally and by a Competent Person, where available;
- diamond prices are based on independent valuations and models and an annual increase of 4.5% thereafter;
- discount rate of 10%;
- inflation rate of 4.5%;and
- the remaining useful life.

(Stated in U.S. dollars)

11. Property, plant and equipment (continued)

Mining Assets, being previously capitalised exploration costs at Bomboko and Mandala, were fully impaired during the previous year, resulting in an impairment charge in 2012 of $1,367,495 being charged to the statement of comprehensive income.

The Group did not have any further contractually committed costs for the acquisition of property, plant and equipment at 30 June 2013.

The realisation of tangible assets of $3,278,294 is dependent on the discovery and successful development of economic mineral reserves including the group's ability to raise sufficient finance to develop the projects and other factors, as discussed in note 2.12.

12. Trade and other receivables

	Consolidated		Company	
	30 June 2013 $	30 June 2012 $	30 June 2013 $	30 June 2012 $
Amounts due within one year:				
VAT	20,748	21,523	20,748	21,523
Prepayments and other receivables	16,758	480,338	-	-
Amounts due after one year:				
Amounts due from subsidiaries	-	-	11,083,731	12,387,854
	37,506	501,861	11,104,479	12,409,377

The directors consider the carrying amount of trade and other receivables to be approximately equal to their fair value.

	30 June 2013 $	30 June 2012 $
Amounts due from subsidiaries comprises of:		
Stellar Diamonds Limited	9,931,569	11,235,692
West African Diamonds SARL	807,205	807,205
Friendship Diamonds Guinee SA	277,068	277,068
Sierra Diamonds Limited	55,830	55,830
Basama Diamonds Ltd	12,059	12,059
	11,083,731	12,387,854

The realisation of amounts due from subsidiaries is dependent on the discovery and successful development of economic mineral reserves and other factors as discussed in note 2.12.

(Stated in U.S. dollars)

13. Share capital and share premium

Share capital

Authorised:

Unlimited number of ordinary shares of 1p and deferred shares of 4p each.

	Number Ordinary Shares	Number Deferred Shares	Share capital $	Share premium $
Allotted called-up and fully paid:				
Balance as at 1 July 2011	216,766,659	-	17,161,566	25,055,393
Sub-Division of shares	216,766,659	216,766,659	-	-
Shares issued on share placing	66,916,991	-	1,058,828	2,117,655
Share issue costs	-	-	-	(154,272)
Balance as at 30 June 2012	283,683,650	216,766,659	18,220,394	27,018,776
Shares issued on share placing	52,789,390	-	831,140	1,466,592
Share issue costs	-	-	-	(27,846)
Balance as at 30 June 2013	336,473,040	216,766,659	19,051,534	28,457,522

In February 2013 a total of 41,960,640 ordinary shares of 1p each were allotted and issued. 4,224,761 of these shares were issued in lieu of directors' fees owed. The remaining 37,735,879 shares were issued for gross proceeds of $1,568,202. Transaction costs of $25,848 were netted against share premium.

In October 2012 a total of 10,828,750 ordinary shares of 1p each were allotted and issued for gross proceeds of $553,962. Transaction costs of $1,998 were netted against share premium.

In May 2012 each ordinary share of 5p in the company was replaced with one ordinary share of 1p and one deferred share of 4p in a share capital restructuring.

In May 2012 a total of 66,916,991 ordinary shares of 1p each were allotted and issued for gross proceeds of $3,176,483. Transaction costs of $154,272 were netted against share premium.

The Deferred Shares will not entitle their holders (a) to receive notice of or attend and vote at any general meeting of the Company (b) to receive any dividend or other distribution; or (c) to participate in any return on capital on a winding up other than the nominal amount paid on such shares following a substantial distribution to holders of ordinary shares in the Company.

14. Share options

The share option reserve represents the value of the share options issued to the Group's directors and employees under the Group's share option scheme.

In December 2012 the Company issued a total of 9,300,000 share options at an exercise price of 3p. The options issued have resulted in a charge of $309,205 based on the Black-Scholes option pricing model and the following assumptions: nil dividend yield, a weighted average expected volatility of the Company's share price based on the past 12 months share price volatility of 103%, a weighted average annual risk free rate of 0.933% and an expected life of five years.

(Stated in U.S. dollars)

14. Share options (continued)

The following is a summary of the share options outstanding and exercisable as at 30 June 2013 and 30 June 2012 and changes during the year:

	30 June 2013		30 June 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		GBP£		GBP£
Outstanding and exercisable, beginning of year	16,094,675	0.169	16,094,675	0.169
Options granted	9,300,000	0.030	-	-
Options expired	(1,428,525)	0.871	-	-
Outstanding and exercisable, end of year	23,966,150	0.102	16,094,675	0.169

Options with a fair value at date of grant of $62,667 expired during the year and as a result were transferred to retained earnings.

As at 30 June 2013 the following stock options were outstanding and exercisable:

Number of stock options outstanding	Exercise price per share	Expiry date
	GBP£	
400,000	1.000	15-Sep-13
100,000	1.000	02-Dec-13
20,000	1.000	08-Feb-14
20,000	1.175	10-Apr-14
500,000	0.150	23-Jul-16
3,246,150	0.200	22-Apr-15
2,350,000	0.110	10-Aug-15
8,030,000	0.080	31-May-16
9,300,000	0.030	21-Dec-17
23,966,150		

15. Provision

	30 June 2013	30 June 2012
	$	$
Balance at beginning and end of the year	104,369	104,369

The provision relates to the rehabilitation of the Mandala and Bomboko mines and is expected to be incurred in 2014.

(Stated in U.S. dollars)

16. Trade and other payables

	Consolidated		Company	
	30 June 2013 $	30 June 2012 $	30 June 2013 $	30 June 2012 $
Amounts due within one year:				
Trade payables and accruals	610,286	375,993	239,797	134,332
	610,286	375,993	239,797	134,332

The carrying amount of trade and other payables is approximately equal to their fair value.

17. Related parties

The ultimate parent company and controlling party of Stellar Diamonds Limited prior to the reverse acquisition was African Aura Mining Inc. (AAM). Subsequent to the reverse acquisition African Aura Mining Inc. (AAM) remained a shareholder of Stellar Diamonds plc. In April 2011 AMM demerged assets, including its investment in Stellar Diamonds plc to Aureus Mining Inc. AMM was renamed Afferro Mining Inc. During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with Afferro Mining Inc. These transactions occurred under terms and conditions that are no less favourable than those arranged with third parties.

The following table summarises the related party transactions:

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
Afferro Mining Inc.,		
- management fees charged	103,416	108,546

At 30 June 2013, $65,261 was owed to Afferro Mining Inc (30 June 2012: $81,354).

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
Directors:		
- shares issued in lieu of accrued directors' fees	175,569	186,252
- amounts owed to directors at 30 June	51,380	-

(Stated in U.S. dollars)

17. Related parties (continued)

The directors are considered the Company's key management personnel. The remuneration earned in respect of the financial year by each director is as follows:

	Salary or fees	Bonus paid in cash	Bonus paid in shares	Share based payments	Year ended 30 June 2013	Year ended 30 June 2012
	$	$	$	$	$	$
Lord Daresbury	92,585	-	-	33,248	125,833	92,153
N. Karl Smithson	234,994	28,384	42,575	66,496	372,449	305,541
Luis da Silva	25,108	-	-	19,949	45,057	24,991
Steven Poulton	39,231	-	-	26,598	65,829	39,048
James Campbell	25,108	-	-	19,949	45,057	24,990
Dr Markus Elsasser	12,480	-	-	33,248	45,728	-
	429,506	28,384	42,575	199,488	699,953	486,723

The directors who held office at 30 June 2013 had the following interests in the ordinary shares of the Company as of 30 June 2013:

	30 June 2013		30 June 2012**	
	Ordinary shares	Share options	Ordinary shares	Share options
Lord Daresbury	5,913,824	2,702,000	4,938,164	1,702,000
N. Karl Smithson	3,711,284	6,006,500	2,692,424	4,006,500
Luis da Silva	833,095	1,953,000	587,355	1,353,000
Steven J. Poulton	2,543,616	2,252,000	1,919,576	1,452,000
James Campbell	1,211,796	1,570,000	457,096	970,000
Dr. Markus Elsasser*	44,138,053	1,000,000	41,278,333	-
	58,351,668	15,483,500	51,872,948	9,483,500

**includes indirect beneficial holdings*
*** or date of appointment if later*

The number of directors to whom retirement benefits are accruing is nil (2012: nil).

All remuneration in the current year related to short term employee benefits.

18. Financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of these financial instruments are estimated to approximate their carrying values due to their immediate or short-term nature.

The Group and Company's financial instruments are:

- Cash and cash equivalents
- Receivables
- Trade and other payables

The carrying amounts for the financial instruments are as follows:

	30 June 2013	30 June 2012
	$	$
Financial assets:		
Loans and receivables, measured at amortised cost		
Cash and cash equivalents	60,669	1,537,211
Receivables	37,506	501,861
	98,175	2,039,072
Financial liabilities:		
Other liabilities, measured at amortised cost		
Trade and other payables	610,286	375,993
	610,286	375,993

In the normal course of its operations, the Group is exposed to commodity prices, currency, interest rate, liquidity and credit risk.

Foreign currency risk

In the normal course of business, the Group enters into transactions denominated in foreign currencies (primarily Pound Sterling). As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates. In general, the Group does not enter into derivatives to manage these currency risks. The Group attempts to reduce its exposure to currency risk by entering into contracts denominated in US Dollars whenever possible. The Group has taken no other action to reduce its exposure to foreign currency risk during the year.

(Stated in U.S. dollars)

18. Financial instruments (continued)

	30 June 2013 $	30 June 2012 $
Carrying value of foreign currency balances		
Cash and cash equivalents include balances denominated in:		
Pound Sterling (GBP)	33,421	1,114,219
Receivables include balances denominated in:		
Pound Sterling (GBP)	37,504	91,703
Trade and other payables include balances denominated in:		
Pound Sterling (GBP)	220,849	121,251

The sensitivities set out below are based on financial assets and liabilities held at 30 June 2013 where balances were not denominated in the functional currency of the Company. The sensitivities do not take into account the Company's income and expenses and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

	Closing exchange rate	Effect on result of GBP strengthening/weakening 10% $
At 30 June 2013	1.513	+/- 9,903

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short term cash investments and interest payable on financing activities (including long term loans), giving rise to interest rate risk. The Company has in the past been able to source financing through private offerings. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. In the ordinary course of business, the Company is required to fund working capital and capital expenditure requirements. The Company typically holds financial assets with a maturity of less than 30 days to ensure adequate liquidity and flexibility.

Due to the short maturity of the financial assets, if interest rates were to double, it would have an insignificant impact on the Company's financial performance.

The Company manages its liquidity risk associated with its financial liabilities through the issuance of additional equity and continuously monitoring forecast and actual cash flows, as required to meet the capital requirements of maturing liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

(Stated in U.S. dollars)

18. Financial instruments (continued)

	Weighted average effective interest rate	Less than 12 months	1 to 5 years
30 June 2013			
Trade and other payables	-	610,286	-
	-	610,286	-
30 June 2012			
Trade and other payables	-	375,993	-
	-	375,993	-

Credit risk

The maximum credit exposure of the Company as at 30 June 2013 amounted to $11,105,010 (30 June 2012: $12,418,947) relating to the Company's cash and cash equivalents and receivables. The directors believe there is limited exposure to credit risk as the Company's cash and cash equivalents are held with major financial institutions. The credit risk on receivables from subsidiaries is significant and their recoverability is dependent on the discovery and successful development of economic reserves by those subsidiary undertakings. Given the nature of the Group's business significant amounts are required to be invested in exploration and evaluation activities at different locations. The Directors manage this risk by reviewing expenditure plans and budgets in relation to projects before any monies are advanced to subsidiary undertakings in respect of those projects. This review ensures that any expenditure is value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves.

The Company manages its credit risk in cash and cash equivalents by holding surplus funds in high credit worthy financial institutions and maintains minimum balances with financial institutions in remote locations.

	30 June 2013	30 June 2012
	$	$
Financial institutions with S&P AA- rating or higher	34,979	1,520,356
Financial institutions un-rated or unknown rating	25,690	16,855
	60,669	1,537,211

Capital management

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements. The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company's Board of Directors takes full responsibility for managing the Company's capital and does so through board meetings, review of financial information, and regular communication with Officers and Senior Management.

The Company expects its current capital resources will be sufficient to carry out its plans and operations through its current operating year. The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital management as at 30 June 2013.

19. Subsequent events

Following the year end, in July 2013 the company allotted and issued a total of 156,098,036 ordinary shares of 1p each for gross proceeds of $2.4m.

In September 2013 the company issued 20,000,000 share options with an exercise price of 1.25p.