



25 March 2014

Daniel Stewart & Company

Stellar Diamonds*

Metals & Mining
STEL (FTSE AIM ALL SHARE)

Interim Results

BUY Upside
144%

Interim Results

DFS Continues & Production Decision in 2014

Investment Case

- Working capital position strengthened with two successful placings completed and the exercise of warrants strengthening treasury chest.
- Economic scoping study completed with the Tongo Dyke-1 returning a pre-tax NPV₁₀ of US\$16.2m and an IRR of 23% for a 13 year mine life. The directors have extended this model to 17 years, which returns an NPV₁₀ of US\$53.1m and an IRR of 33%.
- Bulk sampling continues to return high grade gem quality diamonds, including a 6.7 carat gem diamond.
- A 75% Earn-In Joint Venture on Baoulé entered into with a local partner over a 5 hectare diamondiferous pipe in the Aredor area of Guinea area which is renowned for high value diamonds.
- We maintain our **BUY** recommendation and **5.0** pence target price.



Source: NETBuilder

Shares in issue	492.6m
Net Debt/(Cash)	£0.0m
Market Cap	£10.1m
Enterp. Value	£10.1m
NAV/Share	5.4c
Next Event	Bulk Sampling for the DFS
Last Report Published	08 Nov 13

Net Debt is current year estimated

***Daniel Stewart acts as Broker and NOMAD to Stellar Diamonds**

Forecasts (\$m)	06/12A	06/13A
Turnover	0.4	0.0
EBITDA	(4.0)	(5.0)
PBT	0.0	0.0
Tax (%)	0	0
EPS (c)	(0.0)	(0.0)

Company Description

Stellar Diamonds is a leading West African diamond exploration and development company. www.stellar-diamonds.com



Interim Results

Interim Results Overview

Stellar Diamonds announces Interim Results for the six month period ending December 2013. Net cash used in operations increased to US\$1.39 million from the prior period figure of US\$0.46 million, whilst cash from investing fell slightly to US\$0.85 million from US\$1.42 million.

Overall the cash burn rate for the period increased to US\$2.24 million from US\$1.89 million or US\$374k per month compared to US\$315k per month as development continued apace on its key projects.

Cash at the end of the period totalled US\$640k, compared with a cash position of US\$205k at December 2012.

The improvement in the cash position is also reflected in a positive working capital position of US\$367k, relative to a negative working capital position at the end of 2012, where Stellar had a negative position of minus -US\$158k.

During the reporting period, Stellar successfully raised £0.62 million (gross) in July 2013 through a placing of 61,823,036 ordinary shares at 1.00p. All six Directors participated, along with other third party investors, highlighting the confidence the Board has in delivering value at Tongo. Shortly after, a further £0.94 million (gross) was raised through the conditional placing of 94,275,000 ordinary shares to institutional and other investors at a price of 1.00p per share.

A further £0.31 million was raised before expenses in December 2013 through a subscription of 28,628,545 new ordinary shares of 1p each at a price of 1.1p per subscription share by two of our highly supportive major shareholders Foradex Invest SRL and Hottinger. Participants were also issued warrants to subscribe for 28,628,545 new ordinary shares also at a price of 1.1p per share which expired on 28 February 2014 and subsequently, post period-end, £0.31 million was raised following the exercise of those warrants.

The receipt of the placing being used to continue the development of the Tongo Dyke-1 Kimberlite Project, currently at Feasibility level of analysis.

Scoping Study

The highlight of the period was the publication of a positive Conceptual Economic Scoping Study by consultants to the minerals industry, Paradigm Project Management. The study, which followed two phases of resource definition drilling, outlined maiden project economics of the Tongo Dyke-1 with a pre-tax NPV₁₀ of US\$16.2m and an IRR of 23% for a 13 year mine life. This model, however, assumed a theoretical mine plan over only 682,000 carats of the 1,074,000 carats assuming a consistent dyke thickness across the whole resource, which is clearly not the case.

Table 1: Comparison of PPM Model and Director's Model

	Units	PPM Model	Director's Model
Life of Mine	Years	13	17
Tonnes Mined	Tonnes	1,131,558	1,738,000
Carats Recovered	Carats	682,338	1,051,000
Starting Diamond Price	US\$/carat	248	248
Life of Mine Capital Costs	US\$ million	21	30
Life of Mine Cost per Tonne	US\$ / tonne	84	122
Life of Mine Gross Revenues	US\$ million	169	413
Life of Mine Net Cash Inflows	US\$ million	53	170
Net Present Value	US\$ million	16	53
IRR Pre-Tax	%	23%	32%

Source: Stellar Diamonds

Stellar, with PPM, therefore generated a further model that assumed mining over 1 million carats of the total resource over a longer time frame of 17 years. This longer life mine demonstrates robust economics and returned a NPV₁₀ of US\$53.1m and an IRR of 32% for the 17 year mining schedule.

Joint Venture on Baoulé

In December 2013, Stellar signed a JV agreement with local Guinean company, Société Tassiliman over a five hectare diamondiferous kimberlite pipe in the Aredor district of Guinea.

Under the agreement, Stellar has the right to earn-in to the project up to 75% for a capital spend of US\$5.0 million. The earn-in is for an indefinite period with the opportunity to acquire the remaining 25% at fair market value.

The Baoule pipe was previously evaluated by Rio Tinto and Trivalence Mining. Stellar has access to this extensive database, which shows a kimberlite grade of between 13cpht and 40cpht from bulk sampling. In 2000 Trivalence sold a parcel of 500 carats for \$157 per carat, which Stellar believes today would realise a price in excess of \$200 per carat. Re-modelling of the Rio Tinto drilling data demonstrates large tonnage potential with Stellar estimating over 22 million tonnes of kimberlite down to 300m.

Stellar has therefore commenced a resource definition programme which will entail drilling and bulk sampling to confirm and enhance the Rio Tinto results. Based on known information Stellar is modelling a target grade of 13cpht and 22 million tonnes for a resource of approximately 3 million carats at a diamond value of \$200 per carat. If these numbers are realised it would potentially be a game changer for Stellar.

Tongo

In September 2013, Stellar commenced bulk sampling of the Dyke-1 kimberlite for the Definitive Feasibility Study. The bulk sampling programme is targeting a diamond parcel of 1,000 carats, to be used to increase the level of confidence in both the diamond grade and average diamond value of the Dyke 1 kimberlite, currently 120 cpht and US\$248 per carat respectively attained from previous bulk sampling work.



In February, a first pass bulk sampling of 141 tonnes of kimberlite yielded 151 carats for a grade of 107 cpht with diamond grade expected to increase following the reprocessing of this material. Of the diamonds recovered from this sample, 86% were classified as being gem quality with nine diamonds greater than 1 carat.

More recently samples include Sample-9; a section of fresh, hard kimberlite collected through the drilling and blasting of a 33 metre section, at a depth of 17m and Sample-10; collected from surface using an excavator.

Sample-9: recovered 17 diamonds with a carat size greater than 1 carat, with the in-situ grade calculated at 110.9 cpht, diluted 62.11 cpht (inclusive of initial Sample-9 results announced in February).

Sample-10: recovered 18 diamonds with a carat size greater than 1 carat, including a 6.7 carat gem quality stone, with the in-situ grade calculate at 150.65 cpht, diluted 49.72 cpht.

Overall the in-situ grade has increased to 126.31 cpht, up from the prior sampling result of 110.9 cpht. This compares favourably with the existing resource grade of 120cpht.

We view these sampling results as an exciting development in the Feasibility Analysis of the Dyke-1 project. As part of the feasibility study Stellar is going to drill other kimberlites in the licence area that are located very close to Dyke-1. In particular drilling of Dyke-4, with a grade of 110cpht and diamond value of \$140 per carat (based on a very small parcel of 95cts only), is expected to add approximately 500,000 carats to the Tongo project resource. It is the intention of Stellar to incorporate this increased resource in the feasibility study which can potentially add value to the NPV.

Table 2. Dyke 1 Bulk Sampling

Dyke 1 Bulk Sampling Results	Units	Sample-9	Sample-10
Sampling Date		18 Mar 2014	18 Mar 2014
Diluted Dry Tonnes	Tonnes	477.7	512.8
Carats	Carats	296.7	255.0
Diluted +1mm Grade	Cpht	62.11	49.72
In-Situ Dry Tonnes	Tonnes	268	169
Carats	Carats	296.7	255.0
In-Situ +1mm Grade	Cpht	110.90	150.65
Number of Diamonds	Nr.	2,696	2,221
Diamonds greater than 1 carat	Nr.	17	18

Source: Stellar Diamonds

With 88% and 72% of the 551.62 carats recovered from both Sample-9 and Sample-10 respectively, being classified as gem quality, including a 6.7 carat gem quality diamond, gives us confidence that the diamond value will be met and may exceed the previous modelled price of US\$248 per carat.

Valuation

We value Stellar Diamonds' Tongo Mine using a 17 year life-of-mine DCF valuation model. Guided by the variables within the conceptual economic scoping study and drawing down tonnage from the JORC compliant resource estimate, we escalate diamond prices and mining unit costs from year 2020 by 4.5% per annum.

At our base case valuation we calculate a post-tax NPV10 of US\$37.7 million and a 22.5% IRR%.

To our base case valuation, we add the recent US\$1.48 million funding to obtain an NAV of US\$39.2 million. This translates into a 5.0 pence price per share price, which we use as our target price, representing a 144% return to our fair value.

Table 3: Stellar Diamonds' Valuation

Project	Country	Status	Discount Rate %	Project NPV US\$ m	Project IRR %	Project Equity %	Attr. NAV US\$ m	NAV per Share US\$
Development Project – Life-of-Mine - DCF Valuation								
- Tongo	Sierra Leone	Scoping Study	10%	37.7	22.5%	100%	37.7	0.07
Total				37.7			37.7	0.07
Add Back Cash	US\$ m						1.48	0.003
Equity Value	US\$ m						39.2	0.073
Issued Shares	millions						492.6	
Fully Diluted	millions						535.5	
Sum of Parts Value per Share	US\$ cents						0.073	
							0.046	
Market Capitalisation	US\$ m						8.7	
Over / (Undervalued)	US\$ m						-30.5	
Return to Fair Value	%						352%	

Source: Daniel Stewart

In presenting our 17 year valuation, we draw investor's attention to the increased confidence expected from the next phase of bulk sampling and resource drilling. This will provide greater confidence in diamond grade and clarity on diamond value from the recovered parcel.

Table 4: 13 Year Life-of-Mine

NPV @ 10%	16.2
NPV @ 12.5%	9.5
IRR	20.4%

Source: Paradigm Project Management

Table 5: 17 Year Life-of-Mine

NPV @ 10%	55.5
NPV @ 12.5%	41.5
IRR	28.8%

Source: Stellar Diamonds

We believe that Stellar is undervalued due to the extent of the exploration and development work completed to date and the considerable value to be added as Stellar takes Tongo through the Feasibility Study. In addition, there may be further upside potential when the Company commences exploration work at Baoulé.

West African Diamond Fields

Stellar Diamonds has diamond interests across the West African Diamond Fields of both Sierra Leone and Guinea. In the Eastern Province of Sierra Leone, Stellar has completed a Conceptual Economic Scoping Study on the Tongo Dyke 1 Kimberlitic Fissure. Dyke 1, is one of four kimberlite dykes in the licence area. The three other dykes have been tested and yielded equally high grades to Dyke-1 so there is considerable upside potential on the 1.1 million carats currently in resource,

Figure 1. Figure 1: Stellar Diamonds' West African Diamond Projects



Source: Stellar Diamonds

In Guinea, Stellar is the owner and developer of the Droujba Kimberlite Pipe and associated Katcha dyke, located in the upper Diani valley in south east Guinea. Stellar has taken the kimberlite through resource definition to Scoping Study level of analysis, outlining a trail mining programme. The resource at Droujba currently stands at 3 million carats at diamond values of \$45 per carat (Droujba) and \$57 per carat (Katcha).

Also in Guinea, at Mandala, Stellar has an alluvial diamond project, where production recovered 63,721 carats and 41,723 carats in years 2010 and 2011 respectively. Stellar estimates a 200,000 carat resource remains to be mined at Mandala, though the project is currently on care and maintenance as the Company focusses on its kimberlite portfolio.

Stellar Diamonds' West African Assets

Table 6: Stellar Diamonds' Projects

Project	Country	Kimberlite	Kimberlite Geology	Project Ownership %	Pipe Area ha	Dyke Length km	Licence	Licence Area km ²	Status	Tonnage MT	In-Situ Grade cpht *	In-Situ Diamonds carats	Diamond Value US\$/carat	In-Situ Value US\$m
Diamond Development Projects														
Tongo	Sierra Leone	Dyke 1	Fissure	100%	n/a	2.5	Exploration	9	DFS Stage	0.895	120 cpht	1.074 m	\$247.5/ct	\$265.8 m
	Sierra Leone	Dyke 2	Fissure	100%	n/a	0.75	Exploration		n/a	n/a	140 cpht	n/a	Not Valued	Unknown
	Sierra Leone	Dyke 3	Fissure	100%	n/a	0.5	Exploration		n/a	n/a	185 cpht	n/a		Unknown
	Sierra Leone	Dyke 4	Fissure	100%	n/a	1.0	Exploration		Bulk Sampling	n/a	110 cpht	n/a	\$140/ct	Unknown
Baoulé	Guinea	Alluvials	Alluvial Gravels	75% Earn-In	5.0	n/a	Exploration	1	In-House Target	22	13 – 40 cpht	3.0	\$200/ct	Unknown
Droujba	Guinea	Droujba	Pipe	100%	3.0	n/a	Exploration	53.0	Scoping Study	4.3	60 cpht	2.92	\$50/ct	\$146 m
Mandala	Guinea	Alluvials	Alluvial Gravels	100%	n/a	n/a	Mining	14.0	Care & Maintenance		50.74 cpht	n/a	\$35	n/a

Notes: * cpht – carats per hundred tonnes

In-Situ Value US\$ m – Publication of in situ or in ground financial valuations breaches the principals of the 2012 JORC Code, Section 51., mandatory 1 December 2013 and are presented here solely for illustrative purposes.

Source: Stellar Diamonds



Tongo Project



Table 7: Economic Scoping Study Financial Study

		L-o-M	1	2	3	4	5	6	7	8	9	10	11	12	13
Tonnes	t	1,131,558	1,636	16,758	48,934	72,812	89,558	108,489	129,546	150,081	151,762	118,446	95,757	94,292	53,486
Carats Produced	cts	682,338	603	9,083	28,486	43,017	53,612	65,578	78,326	90,882	92,255	72,033	58,073	57,038	33,351
\$/ct	\$	248	248	248	248	248	248	248	248	248	248	248	248	248	248
Revenue	US\$ million	169.22	0.15	2.25	7.07	10.67	13.30	16.26	19.43	22.54	22.88	17.86	14.40	14.15	8.27
Operating Costs	US\$ million	95.26	1.51	4.00	6.25	7.33	7.93	8.08	9.00	10.16	10.25	8.67	8.25	8.15	5.68
Operating Cost \$/T	US\$/tonne	84.00		0.00	128.00	101.00	89.00	74.00	69.00	68.00	68.00	73.00	86.00	86.00	106.00
Operating Profit	US\$ million	73.96	-1.36	-1.75	0.82	3.34	5.37	8.18	10.43	12.38	12.63	9.20	6.15	5.99	2.59
Capital Costs	US\$ million	21.42	12.36	2.01	1.43	0.47	1.05	0.62	0.78	0.82	0.49	0.52	0.21	0.11	0.53
Net Cash Inflow/(Outflow)	US\$ million	52.54	-13.72	-3.76	-0.62	2.87	4.31	7.56	9.64	11.56	12.14	8.68	5.94	5.88	2.05

Source: Paradigm Project Management

Table 8: 13 Year Life-of-Mine, Non-Inflated Model

IRR	23%
NPV @ 10%	\$16.2m
NPV @ 12.5%	\$11.4m

Source: Paradigm Project Management

Table 9: 17 Year Life-of-Mine, 4.5% Price and Cost Inflation

IRR	33%
NPV @ 10%	\$53.1m
NPV @ 12.5%	\$39.7m

Source: Stellar Diamonds

Table 10. Director's 17 Year Economic Scoping Model

		LoM	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Tonnes	t	1,738,607	1,636	16,758	48,934	72,812	89,558	108,489	129,546	150,081	151,762	151,762	151,762	151,762	151,762	118,446	95,757	94,292	53,486
Carats Produced	cts	1,051,358	603	9,083	28,486	43,017	53,612	65,578	78,326	90,882	92,255	92,255	92,255	92,255	92,255	72,033	58,073	57,038	33,351
\$/ct	\$	248	259	271	283	296	309	323	337	353	369	385	402	421	440	459	480	502	524
Revenue	US\$ million	412.686	0.156	2.46	8.06	12.72	16.57	21.18	26.43	32.05	34.00	35.53	37.13	38.80	40.55	33.08	27.87	28.61	17.48
Operating Costs	US\$ million	243.0	14.5	6.6	8.8	9.3	11.2	11.3	13.3	15.6	16.3	17.0	17.8	18.6	19.4	17.0	16.4	16.7	13.1
Operating Cost \$/T	US\$/tonne	122.4	0.0	260.9	145.7	120.1	110.3	97.0	94.5	96.3	100.4	104.9	109.6	114.5	119.7	135.5	166.8	174.8	224.5
Operating Profit	US\$ million	169.6	-14.3	-4.1	-0.7	3.4	5.4	9.8	13.1	16.4	17.7	18.5	19.3	20.2	21.1	16.1	11.5	11.9	4.3
Capital Costs	US\$ million	30.3	12.9	2.2	1.6	0.6	1.3	0.8	1.1	1.2	1.1	1.1	1.2	1.2	1.3	1.0	0.4	0.2	1.1
Net Cash Inflow/(Outflow)	US\$ million		-14.3	-4.1	-0.7	3.4	5.4	9.8	13.1	16.4	17.7	18.5	19.3	20.2	21.1	16.1	11.5	11.9	4.3

Source: Stellar Diamonds





Consolidated Income Statement

Table 11: Consolidated Income Sheet to FY' 15(E)

US\$ millions		Jun 10	Jun 11	Jun 12	Jun 13 E	Jun 14 E	Jun 15 E
Revenue		2.033	1.518	0.370	0.0	0.0	0.1
COGS		4.234	4.068	1.274	0.0	0.0	0.2
Gross Profit		(2.201)	(2.550)	(0.904)	0.0	0.0	(0.1)
	<i>Margin (%)</i>				0.0	0.0	0.0
Op-Ex		3.202	3.706	3.125			
EBITDA		(5.738)	(6.326)	(4.029)			
	<i>Margin (%)</i>						
D&A		0.000	8.643	1.367			
Operating Profit/Loss		(5.403)	(14.899)	(5.397)			
	<i>Margin (%)</i>						
EBIT		(5.738)	(14.969)	(5.397)			
	<i>Margin (%)</i>						
Net Financials		(0.168)	(0.035)	0.000			
Profit / Loss Before Tax		(5.570)	(14.934)	(5.397)			
Tax Payable		0.000	0.000	0.000			
Effective Tax Rate	<i>Tax Rate (%)</i>	0.0	0.0	0.0			
Profit After Tax		(5.570)	(14.934)	(5.397)			
Basic Wtd Av Shares	Millions	64.5	146.0	224.1	492.6	492.6	492.6
Earnings per Share	Basic	(0.090)	(0.100)	(0.020)			
	Fully Diluted						
Dividends	US\$ millions	0.000	0.000	0.000			
Dividends per Share	US cents	0.000	0.000	0.000			
Dividend Cover	x	0.000	0.000	0.000			
Retained Earnings	US\$ millions						

Source: Stellar Diamonds, Daniel Stewart

Consolidated Balance Statement

Table 12: Consolidated Balance Sheet to FY' 15(E)

US\$ millions	Jun 10	Jun 11	Jun 12	Jun 13 E	Jun 14 E	Jun 15 E
Assets						
Current Assets						
Cash and cash equivalents	0.690	6.519	1.537	1.3	3.7	10.6
Trade and other receivables	0.842	0.194	0.502	0.5	1.5	2.5
Inventories	0.357	0.507	0.000	0.0	1.0	2.0
Total current assets	1.889	7.220	2.039	1.8	6.2	15.1
Non-Current Assets						
Property, plant and equipment	17.058	7.151	4.600	9.7	12.8	25.2
Intangible assets	4.944	7.168	12.586	12.6	6.0	4.0
Total non-current assets	22.001	14.319	17.186	22.3	18.8	29.2
Total Assets	23.891	21.539	19.225	24.1	25.0	44.3
Net Assets	23.101	21.119	18.745	23.6	23.9	33.0
Current Liabilities						
Trade and other payables	0.338	0.316	0.376	0.4	1.0	2.5
Total current liabilities	0.338	0.316	0.376	0.4	1.0	2.5
Non-current liabilities						
Convertible loan	0.397	0.000	0.000	0.0	0.0	0.0
Provision	0.054	0.104	0.104	0.1	0.1	0.1
Project finance debt	0.000	0.000	0.000	0.0	0.0	8.7
Total non-current liabilities	0.452	0.104	0.104	0.1	0.1	8.8
Total Liabilities	0.790	0.420	0.480	0.5	1.1	11.3
Equity and liabilities						
Capital and reserves						
Share capital	7.875	17.162	18.220	23.1	23.4	32.6
Share premium	22.024	25.055	27.019	27.0	27.0	27.0
Reverse acquisition reserve	17.073	17.073	17.073	17.1	17.1	17.1
Warrant reserve	0.143	0.155	0.000	0.0	0.0	0.0
Share option reserve	3.610	4.177	4.177	4.2	4.2	4.2
Convertible loan reserve	0.088	0.000	0.000	0.0	0.0	0.0
Accumulated loss	(27.712)	(42.503)	(47.745)	(47.7)	(47.7)	(47.8)
Total Equity	23.101	21.119	18.745	23.6	23.9	33.0
Total Equity And Liabilities	23.891	21.539	19.225	24.1	25.0	44.3

Source: Stellar Diamonds, Daniel Stewart



Consolidated Cash Flow Statement

Table 13: Consolidated Cash Flow to FY' 15(E)

US\$ millions	Jun 10	Jun 11	Jun 12	Jun 13 E	Jun 14 E	Jun 15 E
Operating loss/profit	(5.570)	(14.934)	(5.397)	0.0	0.0	(0.1)
Adjustments for:						
Loss on disposal of property, plant and equipment						
- Depreciation of property, plant and equipment	1.564	1.639	1.099	0.0	0.0	0.0
- Impairment of property, plant and equipment	0.000	8.643	1.367	0.0	0.0	0.0
- Share-based payment expense	0.262	0.567	0.000	0.0	0.0	0.0
- Shares issued to directors and officers in lieu of fees	0.035	0.235	0.186	0.0	0.0	0.0
- Interest income	0.000	0.000	0.000	0.0	0.0	0.0
- Interest expense	0.168	0.035	0.000	0.0	0.0	0.0
- Net foreign exchange loss/gain	0.080	(0.041)	0.050	0.0	0.0	0.0
Change in working capital items:						
- (Increase)/Decrease in receivables	(0.200)	0.647	(0.307)	0.5	1.5	2.5
- Decrease/(Increase) in stock	0.205	(0.150)	0.507	0.0	1.0	2.0
- Increase in trade and other payables	(0.203)	0.087	0.060	0.4	1.0	2.5
Net cash used in operations	(3.661)	(3.271)	(2.434)	0.9	3.5	7.0
- Acquisition of subsidiary	0.011	0.000	0.000			
- Purchases of property, plant and equipment	(2.003)	(0.403)	(0.707)			
- Payments to acquire intangible assets	(0.461)	(2.196)	(4.627)			
- Interest received	0.000	0.000	0.000			
- Repayment of other liabilities	(0.715)	0.000	0.000			
Net cash used in investing activities	(3.167)	(2.600)	(5.334)			
Cash flows from financing activities						
Proceeds from issue of convertible loans	0.000	0.000	0.000			
- Repayment of convertible loans	(0.100)	(0.485)	0.000			
- Proceeds from issue of share capital, net of costs	7.357	12.239	2.836			
- Project finance	0.000	0.000	0.000			
- Interest paid	(0.052)	(0.095)	0.000			
Net cash generated by financing activities	7.205	11.658	2.836			
Net (decrease)/increase in cash and cash equivalents	0.376	5.788	(4.932)			
Cash and cash equivalents, beginning of year	0.419	0.690	6.519			
Effect of foreign exchange rate changes	(0.106)	0.041	(0.050)			
Cash and cash equivalents, end of year	0.690	6.519	1.537			

Source: Stellar Diamonds, Daniel Stewart

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Disclosure Checklist

Company	Code	Disclosure
Stellar Diamonds	STEL	1, 2, 3, 6, 10

Source: Daniel Stewart

1. Within the past twelve months Daniel Stewart & Co plc and/or its affiliates has managed or co-managed an offering for this Company, for which it received fees or the promise of fees
2. Daniel Stewart & Co plc and/or its affiliates act as corporate broker, nominated advisor or financial advisor to this Company
3. Daniel Stewart & Co plc and/or its affiliates regularly hold/may hold in future trading positions (which may include options) in this Company
4. Daniel Stewart & Co plc and/or its affiliates holds more than 5% of the securities of this Company
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7. The author and/or an individual responsible for production of this report has direct ownership of stock in this Company
8. The author and/or an individual responsible for production of this report received or purchased shares in the issuer prior to a public offering of shares
9. Daniel Stewart and Company is party to an agreement with this company for the publication of research on it
10. This research note has been disclosed to the Company, with resulting amendments, prior to its dissemination
11. An officer of Daniel Stewart & Co and/or its affiliates is an officer of the Company

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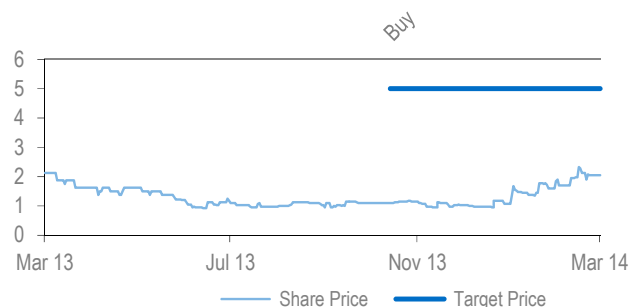
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Recommendation History



Source: Daniel Stewart

Key Assumptions

- Tongo Starts Production in 2015

Income (\$m)	06/12A	06/13A
Turnover	0.4	0.0
Gross Profit	(0.9)	0.0
EBITDA	(4.0)	(5.0)
EBIT	0.0	0.0
PBT	0.0	0.0
EPS (Adj.) (c)	(0.0)	(0.0)
EPS (c)	0.0	0.0
DPS (c)	0.0	0.0

Ratios (x)	06/12A	06/13A
P/E	n/a	n/a
EV/EBITDA	n/a	n/a
Div. Yield (%)	n/a	n/a
P/NAV	0.2	0.4
EV/Gross profit	n/a	n/a
EV/EBIT	n/a	n/a
P/FCF	n/a	n/a
FCF Yield (%)	0.0	0.0
NAV (c)	8.4	5.3

Cash Flows (\$m)	06/12A	06/13A
Op.CF	(2.4)	(1.1)
FCF	1.5	0.1
FCFPS (c)	0.0	0.0

Balance Sheet (\$m)	06/12A	06/13A
Fixed Assets	17.2	16.9
Current Assets	2.0	0.1
Current Liabilities	0.4	0.6
Capital Employed	18.7	16.3
Long-term Liabilities	0.1	0.1
Net Assets	18.7	16.3
Net Debt/(Cash)	0.0	0.0

Data is adjusted
DSC EPS is fully diluted

Recent News / Events

20 Mar 2014 - Interim Results
18 Mar 2014 - Continued High Grade and Diamond Quality at Tongo
26 Feb 2014 - Exercise of Warrants
12 Feb 2014 - Continued High Diamond Grades at Tongo Project
3 Feb 2014 - Updated Corporate Presentation, Report & Accounts
15 Jan 2014 - Strong Progress at Tongo Diamond Project
18 Dec 2013 - Result of AGM
17 Dec 2013 - Share Subscription and Issue of Warrants
9 Dec 2013 - Joint Venture on Baoulé Diamond Pipe in Guinea
22 Nov 2013 - Final Results 30 Jun 2013

Management Team

The Lord Daresbury - Non-Executive Chairman
 Karl Smithson - Chief Executive Officer
 Rowan D. Carr - Chief Operating Officer
 Philip Knowles - Financial Controller
 Luis da Silva - Non-Executive Director
 Steven Poulton - Non-Executive Director
 James Campbell - Non-Executive Director
 Dr Markus Elsässer –
 Graham C. Radburnd - Project Manager,
 Tongo, Sierra Leone

Major Shareholders

	%
Foradex Invest SRL	20.77
UBS Deutschland	11.66
Nassim Funds	8.03
Aureus Mining Inc.	5.60
Hottinger (Adam & Co) Management	5.93
BlackRock	4.71
Barclayshare	3.52
	3.52
	45.17

Consensus and DSC Estimates

	06/14E
PBT(\$m)	
DSCe	0.0
EPS (c)	
DSCe	0.0
DPS (c)	
DSCe	0.0

Source: Fidessa