

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser. The whole of this document should be read. You should be aware that investment in the Company is speculative and involves a high degree of risk.**

If you have sold or otherwise transferred all of your Existing Ordinary Shares in Stellar Diamonds plc prior to 8.00 a.m. on 15 September 2017 (the date upon which the Existing Ordinary Shares were marked ‘ex’ the entitlement to the Open Offer by the London Stock Exchange plc), please immediately forward this document, together with the accompanying Application Form (in respect of shares held in certificated form) to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. Such documents should, however, not be forwarded to or transmitted into any jurisdiction outside of the UK. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold or transferred only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document is not a prospectus for the purposes of the Prospectus Rules and has not been drawn up in accordance with the Prospectus Rules. Accordingly, this document has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom (“FCA”), pursuant to sections 85 and 87 of FSMA, The London Stock Exchange plc or any other authority or regulatory body in any jurisdiction.

The Directors, whose names appear on page 8 accept responsibility both individually and collectively for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange plc for the Open Offer Shares to be admitted to trading on AIM.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange plc has not itself examined or approved the contents of this document.**

It is expected that admission to AIM will become effective and dealings in the Open Offer Shares (to the extent subscribed for pursuant to the Open Offer) will commence on AIM on 3 October 2017 at 8.00 a.m.

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## **STELLAR DIAMONDS PLC**

*(incorporated in England and Wales with registered number 5424214)*

### **OPEN OFFER OF UP TO 6,153,846 NEW ORDINARY SHARES AT 3.25 PENCE PER SHARE**

<b>Nominated Adviser</b>	<b>Joint Broker</b>	<b>Joint Broker</b>
<b>CAIRN FINANCIAL ADVISERS LLP</b>	<b>PETERHOUSE CORPORATE FINANCE LIMITED</b>	<b>BEAUFORT SECURITIES LTD</b>

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document explaining the reasons for the Open Offer. Your attention is drawn in particular to the “Risk Factors” set out in Part II of this Document.**

This document is available to all Shareholders, but in relation to those Shareholders who are not Qualifying Shareholders (which means certain Shareholders resident outside of the United Kingdom) it is for information purposes only.

This document does not constitute an offer for sale or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Open Offer Shares to any person in any jurisdiction where such an offer or solicitation is unlawful and, subject to certain exceptions, is not for distribution in or into the United States, Australia, Canada, South Africa, New Zealand or Japan. The Open Offer Shares have not been, and will not be, registered under the United States Securities Act

of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia, New Zealand, South Africa or Japan.

The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Open Offer has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Open Offer and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Subject to very limited exceptions, the Open Offer Shares may not, directly or indirectly, be offered or sold within any territory other than the United Kingdom or offered or sold to a person within any territory other than the United Kingdom. Any failure to comply with these restrictions may constitute a violation of the securities law of any jurisdiction. Persons (including, without limitation, nominees and trustees) receiving this document and/or an Application Form should not, in connection with the Open Offer, distribute or send this document and/or the Application Form into any jurisdiction when to do so would, or might contravene local securities laws or regulations or be contrary to the terms and conditions of the Open Offer. The Open Offer Shares will on allotment rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares after Admission.

Cairn Financial Advisers LLP (“Cairn”), Peterhouse Corporate Finance Limited (“Peterhouse”) and Beaufort Securities Ltd (“Beaufort”), which are all regulated in the UK by the FCA, are acting as the Company’s nominated adviser and joint brokers respectively, in connection with the proposed Admission. Cairn’s responsibilities as the Company’s nominated adviser under the AIM Rules for Nominated Advisers and Peterhouse and Beaufort’s responsibilities as the Company’s brokers under the AIM Rules for Companies are owed solely to the London Stock Exchange and are not owed to the Company or to any Director, or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document without limiting the statutory rights of any person to whom this document is issued. No representation or warranty, express or implied, is made by Cairn, Peterhouse or Beaufort, as to the accuracy, completeness or fairness in this document. Cairn, Peterhouse and Beaufort accepts no responsibility or liability for this document and accordingly disclaim all and any liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this document. The Company and the Directors are solely responsible for this document.

**The Open Offer closes at 11.00 a.m. on 2 October 2017. If you are a Qualifying Shareholder and wish to apply for Open Offer Shares under the Open Offer you should follow the procedure set out in Part IV of this document and, if you are a Qualifying Non-CREST Shareholder, complete and return the Application Form together with your appropriate remittance. Qualifying CREST Shareholders will not receive an Application Form, but will receive instead a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements which will be enabled for settlement on 18 September 2017. If you do not wish to participate in the Open Offer then you should not return your Application Form or send a USE instruction through CREST. Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled thereto or by persons becoming so entitled, by virtue of a *bona fide* market claim arising out of the sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares are marked ‘ex’ the entitlement by the London Stock Exchange.**

**If the Basic Entitlements are for any reason not enabled by 3.00 p.m. or such later time as the Company may decide on 18 September 2017, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements credited to his stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer. Applications for Excess Entitlements pursuant to the Excess Application Facility may be made by Qualifying Shareholders provided that their Basic Entitlement has been taken up in full and subject to being scaled back in accordance with the provisions of this document.**

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

**If Qualifying Shareholders have any queries on the procedure for acceptance and payment, or to receive another Application Form they should contact Company’s registrars at Computershare Investor Services (Ireland) Limited on +353 (0)1 247 5693. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.**

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays and public holidays) at the offices of Cairn Financial Advisers LLP, Cheyne House, Crown Court, 62-63 Cheapside, London EC2V 6AX until the Open Offer closes. This document will also be available on the Company’s website, [www.stellar-diamonds.com](http://www.stellar-diamonds.com).

No person has been authorised to make any representations on behalf of the Company concerning the Open Offer which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been authorised. No person should construe the contents of this document as legal, tax or financial advice and recipients of this document should consult their own advisers as to the matters described in this document.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements in this document, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "envisage", "estimate", "intend", "may", "plan", "potentially", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this document are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

**The content of this document has not been approved by an authorised person within the meaning of the FSMA. Reliance on this document for the purpose of engaging in any investment activities may expose an individual to a significant risk of losing all of the property or other assets invested.**

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## OPEN OFFER STATISTICS

Issue Price per New Ordinary Share	3.25 pence
Open Offer Basic Entitlement	1 Open Offer Shares for every 8.914 Existing Ordinary Shares
Number of Ordinary Shares in issue as at the date of this Document	54,853,902 <sup>1</sup>
Maximum number of Open Offer Shares to be issued pursuant to the Open Offer	6,153,846
Maximum Enlarged Ordinary Share Capital on Admission <sup>2</sup>	up to 61,007,748
Gross proceeds of the Open Offer	up to £200,000
Estimated cash proceeds of the Open Offer receivable by the Company (net of expenses and assuming full allocation)	up to £180,000
Percentage of the Enlarged Ordinary Share Capital of the Company that the Open Offer Shares will represent	10.09 per cent.
ISIN – Open Offer Basic Entitlements	GB00BF2PDH52
ISIN – Open Offer Excess Entitlements	GB00BF2PDK81

<sup>1</sup> This follows completion of the Placing and issue of the Fee Shares on 14 September 2017

<sup>2</sup> Assuming the issue of 6,153,846 Open Offer Shares

### Notes

Statistics are prepared on the basis that no Ordinary Shares will be issued following the date of this document and before the completion of the Open Offer

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2017

Record Date and time for entitlements under the Open Offer	6.00 p.m. on 14 September
Announcement of the Open Offer	14 September
Publication of this document and Application Forms to Qualifying Shareholders	15 September
Existing Ordinary Shares marked 'ex' entitlement by the London Stock Exchange	15 September
Basic Entitlements and Excess Entitlements credited to CREST accounts of Qualifying CREST Shareholders	18 September
Recommended latest time and date for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 26 September
Latest time and date for depositing Basic Entitlements Excess and Entitlements into CREST	3.00 p.m. on 27 September
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 28 September
<b>Latest time and date for receipt of completed Application Forms from Qualifying Shareholders and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)</b>	<b>11.00 a.m. on 2 October</b>
Expected date of Admission and commencement of dealings of Open Offer Shares	8.00 a.m. on 3 October
Expected date for CREST accounts to be credited with Open Offer Shares	3 October
Share certificates in relation to Open Offer Shares (where applicable) dispatched by	13 October

Save for the date of publication of this document, each of the times and dates above are subject to change. Any such change, including any consequential change in the Open Offer Statistics above, will be notified to Shareholders by an announcement on a Regulatory Information Service. All times are London times and each of the times is subject to change.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Lord Peter Gilbert Daresbury ( <i>Non-executive Chairman</i> ) Nicholas Karl Smithson ( <i>Chief executive officer</i> ) Steven James Poulton ( <i>Non-executive director</i> ) Hansjörg Plaggemars ( <i>Non-executive director</i> )
<b>Company Secretary</b>	Philip Knowles
<b>Registered office</b>	40 Bloomsbury Way Lower Ground Floor London WC1A 2SE
<b>Website</b>	<a href="http://www.stellar-diamonds.com">www.stellar-diamonds.com</a>
<b>Nominated Adviser</b>	<b>Cairn Financial Advisers LLP</b> Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX
<b>Financial Adviser</b>	<b>Mirabaud Securities LLP</b> 5th Floor 10 Bressenden Place London SW1E 5DH
<b>Joint Broker</b>	<b>Peterhouse Corporate Finance Limited</b> 15 Eldon Street London EC2M 7LD
<b>Joint Broker</b>	<b>Beaufort Securities Ltd</b> 63 St Mary Axe London EC3A 8AA
<b>Solicitors to the Company as to English law</b>	<b>Gowlings WLG (UK) LLP</b> 4 More London Riverside London SE1 2AU
<b>Registrar and Receiving Agent</b>	<b>Computershare Investor Services (Ireland) Limited</b> Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland

## PART I

### LETTER FROM THE CHAIRMAN OF THE COMPANY

# STELLAR DIAMONDS PLC

*(incorporated in England and Wales with registered number 5424214)*

*Directors:*

Lord Peter Gilbert Daresbury (*Non-executive Chairman*)  
Nicholas Karl Smithson (*Chief executive officer*)  
Steven James Poulton (*Non-executive director*)  
Hansjörg Plaggemars (*Non-executive director*)

Registered office:

40 Bloomsbury Way, Lower Ground Floor  
London, WC1A 2SE

15 September 2017

Dear Shareholder,

#### **Open Offer of up to 6,153,846 Open Offer Shares at 3.25 pence per New Ordinary Share**

#### **1. Introduction**

The Company announced on 11 September 2017 that it raised £330,000 through a placing of new Ordinary Shares at 3.25 pence per share to provide ongoing funding whilst the Company progresses its project equity and debt financing to bring the high grade and high value 4.5 million carat Tongo-Tonguma mine project into production. The Company entered into a binding conditional tribute mining agreement and revenue share agreement (together the "Agreements") with Ocea Mining Ltd in relation to Ocea's kimberlite diamond Tonguma Project as announced on 28 April 2017 and since this date has been progressing project financing in order that the financing conditions of the Agreements can be satisfied. In particular, the Company is required to raise sufficient funds to finance the Front End Engineering Design (FEED) stage of the Mine Plan in order to complete the Agreements. Further details of the Tonguma and Tongo projects and the Agreements are set out in paragraphs 2 to 4 below.

To provide Shareholders who have not taken part in the Placing (which was not conditional on the Open Offer) with an opportunity to participate in the proposed issue of new Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for an aggregate of up to 6,153,846 Open Offer Shares, to raise up to approximately £200,000 (before costs and expenses), on the basis of 1 Open Offer Share for every 8.914 Existing Ordinary Shares held on the Record Date, at 3.25 pence per share. Investors who participated in the Placing are Qualifying Shareholders for the purpose of the Open Offer. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares through the Excess Application Facility.

The net proceeds of the Placing together with the net proceeds of amounts raised from the Open Offer, will prioritise payment of the Tongo environmental licence and renewal of the Tonguma environmental licence (estimated \$250,000 in aggregate for both licences). Following payment of the Tongo environmental licence, it is anticipated that the Tongo mining licence will be issued and its fiscal terms may be negotiated and ratified via the Sierra Leone Government and Parliament respectively. Furthermore, funds will be allocated to ongoing costs related to the Tongo-Tonguma project in Sierra Leone, general working capital, and the payment of certain existing creditors.

The Company has been informed that the Tongo mining licence has been approved by the Minerals Advisory Board of Sierra Leone subject to the payment of the environmental licence. The Company and the



Environmental Protection Agency of Sierra Leone have been involved in a protracted discussion as to an appropriate fee for the environmental licence but have now reached agreement in this regard. Therefore the Company believes that having signed the Tongo-Tonguma Tribute Mining Agreement it is in the interests of shareholders to pay the required environmental licence fee and have the Tongo mining licence issued.

The first stage of the mine development for the Tongo-Tonguma will comprise the detailed FEED and detailed near surface drilling of the three kimberlite resources to be exploited according to the PPM/SRK generated mine plan. This drilling should significantly reduce the geological risk for the early mining phase and will in essence guide the decline and stope developments on the first two mining levels. Furthermore, during the FEED phase, the Company intends to relocate the 50tph DMS production plant that is expected to be acquired for a nominal fee from Ocea and which should enable the Company to have its production facility upgraded and available for processing of ore during the first year of mine development. The Company, with its consultants PPM/SRK, have established that these three key work streams, the FEED, drilling and relocation of the processing plant, will require in the region of up to US\$3 million to complete.

The purpose of this document is to provide information on the Company's current financial and trading position so that Shareholders may decide whether to subscribe for Open Offer Shares. Shareholders should also refer to the Company's regulatory announcements. Open Offer Shares subscribed for will be issued pursuant to the Company's existing share authorities. Accordingly the Open Offer is not subject to Shareholder approval.

Shareholders should note, that the Company's working capital position will remain constrained following completion of the Open Offer. The Company is in the process of raising the required project development funding and whilst good progress has been made and the Directors believe that this will be possible, the timing, quantum, structure and pricing of this funding are uncertain. In addition, the Company is progressing completion of the sale of its Guinea assets (with exclusivity for the sale having recently been extended to 30 September 2017) however completion and the final quantum of consideration payable for the disposal remains subject to finalisation of due diligence, audit and tax affairs. The Company is also dependent on Ocea's willingness to continue to extend the long stop date of the Agreements by which certain conditions must be satisfied in order to complete the Agreements. Whilst Ocea have remained very supportive to date, and it is in the interests of both Ocea and Stellar to extend the long stop date, there can be no guarantee that they will continue to do so.

Shareholders should consider the Risk Factors set out in Part II of this document in relation to general risks and those specific to the Tribute Mining Agreement and the Open Offer.

Details of the Open Offer are set out below and the steps required for Qualifying Shareholders to participate in the Open Offer are set out in Part IV of this document.

## **2. Tribute Mining Agreement**

The Company entered into the Tribute Mining Agreement in April 2017, which, if completed, would allow Stellar to simultaneously mine both its wholly owned Tongo Project and, as sub-contractor of Ocea, the adjacent Tonguma Project, with Stellar being the operator of the combined mine. The technical information in relation to the proposed combined Tongo-Tonguma mine plan was previously reported in the announcement dated 5 October 2016, in respect of the PEA and the announcement dated 31 October 2016, in respect of the CPR remains materially unchanged and the proposed economic terms of the Tribute Mining Agreement are set out below.

The Directors believe the potential scale of the Tongo-Tonguma mine in comparison to Tongo as a stand alone project should make the proposed Tongo-Tonguma mine an attractive investment proposition. As reported in the CPR by MPH<sup>1</sup>, diamond quality from the overall Tongo area has long been known as being very high by

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<sup>1</sup> CPR: Executive Summary, para 1.1

international standards and the resource work by Stellar at Tongo, and Ocea at Tonguma has confirmed that the source kimberlite dykes do produce high-quality assortments. Both licences have been extensively explored through a combined exploration spend of US\$43 million, including some 66,000m of drilling, and initial underground production sites have been identified. Resource work carried out by Stellar, Ocea and their independent consultants has confirmed substantial high grade resources in three kimberlite dyke deposits across the Tongo-Tonguma Projects to inferred confidence levels. These resources are the basis for the PEA completed by PPM/SRK which suggests compelling economic potential for developing the mine from three separate underground declines at the combined Tongo-Tonguma Project as further detailed in the CPR. **MPH has also reported that they consider the combined Tongo-Tonguma Project to be the best undeveloped diamond project in West Africa.**<sup>2</sup>

The initial capital outlay to develop Tongo as a stand-alone mining project has previously been estimated by PPM and SRK to be approximately US\$24 million. In comparison, the estimated initial capital outlay of the combined Tongo-Tonguma Project is currently estimated at around US\$31.85 million, being a 33 percent increase in the expected capital costs compared to developing the Tongo Project alone. The inferred JORC resource for the Tongo-Tonguma Project is however more than two times that for Tongo alone which the Directors believe provides a compelling basis for entering into the Tribute Mining Agreement as the enlarged mine should not only result in higher production levels but also lower average unit operating costs through economies of scale.

#### ***Key economic terms of Tribute Mining Agreement***

- Stellar will fund and operate the enlarged mine development
- Stellar will be responsible for processing and marketing all diamonds recovered
- 10% share of gross revenues (which after deduction of any Government royalty is effectively 9.35%) is payable to Ocea on diamond and other minerals recovered and sold, but only after Stellar has recouped an amount equal to its development capital and Ocea has received an initial revenue share payment of US\$5m
- Stellar to make a one-off payment to Ocea of US\$5.5m five years after mine development commences
- Agreed economics to include reimbursement to Ocea and Stellar of certain costs (including an amount to Ocea equal to the annual Tonguma mining licence fee)
- Certain assets of Tonguma, including the 50tph processing plant at Ocea's Koidu Mine, will be acquired by Stellar for a nominal amount. Stellar intends to relocate and upgrade the plant which will then become the processing facility for the combined mining operation

Completion of the Agreements remain subject to inter alia to:

- valid licence opinions being obtained for the Tongo and Tonguma licences;
- any security encumbrances over the Tonguma company or assets being lifted;
- the parties (each acting reasonably) being satisfied that Stellar shall receive sufficient monies to finance the FEED stage of the Mine Plan ("Initial Financing Condition") (together "Completion").

The long stop date for completion of the conditions above was originally 30 June 2017 however this was extended by mutual agreement of the parties to 30 August 2017. Extension of the current long stop date is currently in the process of being discussed with Ocea following progress being made by the Company in relation to its project financing. There is however no guarantee that Ocea will continue to extend this long stop date which could result in the Company being unable to complete the Tribute Mining Agreement and proceed to mine development on the joint licence basis. In such a scenario Stellar would focus on the development of its own Tongo mine.

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<sup>2</sup> CPR: Executive summary, section 1.9

Due to the nature of the combined mine plan that is intended to be implemented, (i.e. mining both the Tongo and Tonguma Projects), any revenue share payments payable to Ocea will be in respect of diamond revenues from both the Tongo and Tonguma licences. The revenue share economics that have been agreed reflect this. Under the Tribute Mining Agreement, Ocea would continue to hold the Tonguma Licence through its subsidiary company Tonguma and Stellar will continue to wholly own its adjacent Tongo Licence and subsidiary company Sierra Diamonds Limited. Stellar would also own all infrastructure and capital items procured and utilised for the mine development in respect to both licences.

Stellar has taken care to ensure that risk is mitigated wherever possible in relation to the terms of the Tribute Mining Agreement. Ocea has agreed that for so long as the Tribute Mining Agreement is in place, it will not sell Tonguma Ltd or the Tonguma licence to a third party. The Tribute Mining Agreement however includes termination clauses whereby the agreement can be terminated by either party for breach of the agreement. Shareholders should note that in the event of termination, Stellar would have no rights over Tonguma Ltd or the Tonguma licence save for any contractual rights accrued and, depending on the circumstances, may be obligated to pay certain costs to Ocea, which in the event of a breach of the Tribute Mining Agreement by Stellar, may include, inter alia, the transfer back to Ocea of the Tonguma processing plant.

Whilst the Tribute Mining Agreement has been entered into and includes binding clauses, there is no guarantee that the Company will be able to satisfy the conditions to complete the Tribute Mining Agreement including being able to raise the necessary funds to implement the mine plan.

### ***Tongo-Tonguma proposed mine plan and project economics***

The mine plan detailed in the Tongo-Tonguma PEA demonstrates a financially robust and high margin 21 year life of mine over an initial inferred diamond resource (across Tongo and Tonguma) of 4.5 million carats. Shareholders should however note that the economics of the Tongo-Tonguma mine modelled in the PEA assumes that the Tribute Mining Agreement would remain valid and in place for the forecast life of mine. The PEA and CPR also recognise that there is considerable potential upside from additional high-grade kimberlite dykes on the properties, which have not yet been categorised into a resource.

Estimated (by PPM/SRK) pre-tax Project NPV(10) and IRR of US\$172 million and 49% respectively

- Projected life of mine of the Tongo-Tonguma Project revenues of US\$1,518 million with operating costs of US\$847 million
- Estimated operating margin of 50% over the life of mine
- First production expected within 12 months of funding and development commencing increasing to over 200,000 carats per annum in the 4th year
- Expected Capex of US\$31.8 million in the first two years (including a 15% contingency)
- Estimated 3.96 million carats recoverable from the initial 4.5 million carats resource at a +1.18mm cut-off
- Recoverable diamond grades and values for first three kimberlites to be mined of:
  - Kundu: 260cpht and \$209 per carat (\$543 per tonne)
  - Lando: 220cpht and \$209 per carat (\$440 per tonne)
  - Tongo: 100cpht and \$310 per carat (\$310 per tonne)
- Exploration target of up to 8 million carats in addition to existing resource

Stellar has prepared an internal financial model based on the mine plan produced in respect of the Tongo-Tonguma Project by independent consultants Paradigm Project Management and SRK Consulting and has adjusted it to reflect the proposed revenue share arrangements with Ocea pursuant to the expected terms of the Tribute Mining Agreement. The model assumes mining some 3.90mcts of the 3.96mcts recoverable resource at the Tongo, Kundu and Lando dykes and does not include any of the 7.96mcts "exploration target" carats which may be brought into a future resource estimation. The initial two year capital requirement to bring the Tongo-Tonguma mine into production is currently estimated to be approximately US\$31.8 million (including a 15% contingency). Based on the projected life of mine project costs (US\$847 million), revenues (US\$1,518 million) and after revenue-share payments to Ocea, Stellar's financial model demonstrates the potential for an after tax NPV of approximately US\$109 million and IRR of 30% to Stellar (using a real discount factor of 8 percent).

Only three kimberlites dykes of a total of 11 on the Tongo-Tonguma licence area (four at Tongo and seven at Tonguma) have been categorised as resource to date. A further four dykes have been drilled out at Tonguma resulting in an exploration target, offering a mid-range total of 5.6 Mt and potential for a further 7.96 million carats for the project. Although it can't be guaranteed that further exploration will result in this exploration target becoming a mineral resource or result in increased recovery of diamonds, the Directors consider that this target demonstrates significant upside to the overall resource base of the Tongo-Tonguma Project and, subject to the Tribute Mining Agreement being and remaining in force, it is the intention to bring the 'exploration target' into the JORC resource category in due course through further drilling and sampling.

The underground mine plan will be configured as a series of declines from surface at Kundu, Lando and Tongo. The declines will be 4m x 4m in cross section and will be developed at an angle of 8-degrees. Mining levels will be interspaced at 35m depth with the first levels being developed at 40m below surface. Based on the current resource models, Tongo will have a planned 11 levels, Lando will have a planned 10 levels and Kundu will have a planned 5 levels during the 21 year life of mine. The ore bodies will be accessed by 2m x 2m drives and cross-cuts into stopes that are mined by traditional overhand shrinkage stoping mining methods, with the ore being drawn from access points and transported on underground locos and tipped into bins on an ore pass system. These ore bins will feed haulage trucks that will transport the ore to surface and onto the processing plant. Pursuant to the Tribute Mining Agreement, the existing 50tph processing plant at Ocea's Koidu mine would be acquired by Stellar at nominal value and relocated to Tonguma and be further upgraded by Stellar to serve as the processing plant for the Tongo-Tonguma mine. The availability of this plant locally rather than having to buy and import from overseas, should save Stellar considerable time and money and facilitate the early production potential of the mine. Once further resource definition work has been completed, Stellar will review the plant capacity and the installed metallurgical unit processes in order to optimise the plant for the life of mine.

Both Tongo and Tonguma have onsite power, office space, mining workshops, plant and machinery workshops and stores facilities. In the event of commencing implementation of the Mine Plan, these resources will be upgraded as necessary.

### **3. Tonguma overview**

The Tonguma Project is in the Lower Bambara Chiefdom, Kenema District in the Eastern Province of Sierra Leone and is adjacent to, and contains the on-strike western continuation of the diamondiferous kimberlite dykes within Stellar's existing Tongo project. The Tonguma project has a 25 year mining license covering an area of 124 square kilometres. The Tonguma Project has a JORC inferred resource of 3.45 million carats (+1.18mm carat cut-off) at an estimated recoverable grade of up to 260cph and average diamond values of \$209 per carat to a maximum depth of 200 metres, on two of the eight dykes present at Tonguma (Kundu and Lando).

Ocea has undertaken extensive exploration activities at Tonguma including over 58,000 metres of diamond drilling as well as bulk sampling which has produced approximately 7,250 carats of which over 3,500 carats has been used for diamond valuation. Further details are set out in the CPR.

### **4. Overview of Stellar's existing portfolio of assets**

Stellar currently has a number of diamond exploration and development projects including Tongo in Sierra Leone; Baoulé in Guinea which has recently completed a trial mining exercise (and which is expected to be sold to BDG Capital Limited as further detailed below) and the Kumgbo licences in Liberia. Stellar also has two projects, the 3 million carat resource Droujba kimberlite project and the Mandala alluvial diamond mine in Guinea which are not currently being developed and are on care and maintenance, both of which are expected to be sold alongside Baoulé.

These projects are summarised below:

Asset	Holder (subsidiary of Stellar Diamonds Plc)	Interest as at the date of this document (%)	Status/Processes	Licence Expiry Date	Licence (km <sup>2</sup> )	Area
Tongo	Sierra Diamonds Limited	100	Development	02/09/2017 (Issue of mining licence is pending)		9.98
Baoulé	Ressources Tassiliman Baoulé SA	75	Proposed Disposal	15/05/2018		0.99
Droujba	West African Diamonds Sarl	100	Proposed Disposal	27/10/2017		6.75
Mandala	Société Ressources Mandala Guinee Sarl	100	Proposed Disposal	17/10/2018		5.6
Kumgbo	Stellar Diamonds Liberia Incorporated	90	Exploration	23/02/2019		670.52

### ***Tongo Project (Sierra Leone)***

Stellar's wholly owned kimberlite Tongo Project, in the renowned Tongo diamond field in eastern Sierra Leone, was acquired in 2008 and consists of an exclusive Exploration License EL48/2012 (valid until 2 September 2017). Stellar has carried out a systematic and extensive exploration programme of the license area culminating in four kimberlite dykes, Dykes 1-4, being defined from which a JORC inferred resource of 1.45 million +1mm carats at a grade of 165cpht has been estimated for Dyke 1 to a depth of 300m. Dykes 2-4 show indications of also being high-grade kimberlites based on Stellar's bulk sampling and microdiamond analysis, though these have not yet been drilled into resource. The current scoping study level development plan for Tongo (as part of the Tongo-Tonguma mine plan) assumes a conservative recovered +1.18mm grade of 100cpht with an average diamond value of US\$310 per carat, for a total of 895,000 carats.

The Company's application for a mining licence in respect of the Tongo Project was approved by the Minerals Advisory Board in May 2016 but remained subject to the receipt of the Environmental Licence, in accordance with the Environmental Protection Agency ("EPA") Act 2008. The EPA has now calculated the fee for the Environmental Licence at US\$150,000. Subject to Stellar paying the environmental licence fee, it is expected that the National Minerals Agency will issue the mining licence documents for the consideration and signature of the Minister of Mines.

### ***Baoulé Project (Guinea)***

Stellar entered into a joint venture in 2013 which incorporates the five hectare diamondiferous Baoulé kimberlite pipe in the Aredor region of central Guinea on which Stellar has completed a 100,000 tonne trial mining operation. The project has a semi-industrial exploitation permit which is valid until 15 May 2018. Over 11,000 carats have been recovered from Baoulé to date including 929 stones of greater than 1 carat in size and a number of high value gem and fancy coloured (yellow) diamonds.

To date Stellar has held three diamond sales totalling 8,465 carats from Baoulé which has released over US\$1 million in gross revenue. The average diamond price from these three sales has varied from \$92 to \$156 per carat depending on the mix and presence of larger gem quality stones as well as varying rough market sentiment at the time of sale. Some high value gems were present in the parcels sold to date, including a 10 carat fancy yellow stone which sold for an average price of \$6,800 per carat.

Stellar originally had a 75 per cent. interest in the project with Ressources Tassiliman Baoulé, a local partner, currently holding the remaining 25 percent. interest, however, on 5 June 2017, the Company announced that it had entered into a conditional binding term sheet for the sale of Stellar's assets in the Republic of Guinea (including Baoulé, Mandala and Droujba) to BDG Capital Limited. The consideration for the sale was initially

agreed at US\$2 million in aggregate, subject to due diligence. Of this US\$2 million, the Company has to date received US\$0.5 million by way of exclusivity fees. The final quantum of the transaction price and balance of consideration to be paid by BDG Capital Limited to Stellar will be determined by the outcome of due diligence and audit and tax filings which are in the process of being finalised. Exclusivity in relation to the proposed sale has currently been extended to the end of September 2017. Should Stellar withdraw from the proposed agreement with BDG Capital and if the agreed terms are materially the same, then the exclusivity fee paid to Stellar (US\$0.5 million in aggregate) will be reimbursed to BDG in either cash or Stellar's shares at a price to be determined. However, if BDG proposes to materially amend the terms following due diligence and Stellar as a consequence withdraws then the exclusivity fee shall not be reimbursed. In the event that BDG decides not to continue with the transaction, the exclusivity fee of US\$0.5 million is not refundable to BDG.

The Company terminated the previous joint venture agreements entered into in relation to Baoulé and Kumgbo projects in November 2016 with Citigate following failure by Citigate to meet the terms of the joint venture agreements in relation to amounts owed to Stellar.

### ***Kumgbo Project (Liberia)***

In February 2016, Stellar was awarded a 90 percent interest in two licences covering a total area of 670.54km<sup>2</sup> in the west of Liberia, around the key diamond area of Kumgbo towards the border with Sierra Leone. Subsequently, in July 2016, the Company entered into a definitive joint venture agreement with Citigate in respect to the Liberia Licenses. However as for Baoule Citigate failed to bring the required funding to the Liberia joint venture and therefore all rights were terminated. Stellar is currently in discussion with another group regarding a potential joint venture on these licences.

### ***Resource summary of Stellar's existing projects***

A table of resource summary, calculated in accordance with JORC, of the Group's projects is stated below:

<b>Kimberlite project</b>	<b>Deposit</b>	<b>Resource Category</b>	<b>Gross</b>	
			<b>Grade (cpt)</b>	<b>Carats</b>
Tongo Droujba	Dyke 1	Inferred- recoverable <sup>1</sup>	1.00	895,000
	Droujba Pipe	Inferred	0.63	2,474,000
	Katcha Dyke	Inferred	1.40	446,000
<b>Alluvial Project</b>	<b>Deposit</b>	<b>Resource Category</b>	<b>Gross</b>	
			<b>Grade (cpt)</b>	<b>Carats</b>
Mandala	Mandala II,III,IV	Indicated	0.34	38,554
	N'Keleyani	Indicated	0.56	130,684

<sup>1</sup> Recoverable grades and value per carat for Tonga Dyke 1 are the current best estimates with recovery factors reflecting recovery efficiencies through a typical commercial plant at a +1.18mm cut off. The Droujba resource is calculated on a +1.0mm cut off and the Mandala resource on a +1.25mm cut off.

## **5. Strategy of the Group**

Stellar's strategy is to become a leading mid-tier diamond producer in West Africa. Stellar intends to focus its efforts on completing its project financing in order to complete the Tribute Mining Agreement and to commence implementation of the Tongo-Tonguma mine plan which has been developed by Stellar in conjunction with various advisers and which is further detailed in the CPR. Initially the first stage of the mine development will comprise the detailed Front End Engineering Design (FEED) and advance drilling of the three kimberlite resources to be exploited according to the PPM/SRK generated mine plan. This drilling should significantly reduce the geological risk for the early mining phase and will in essence guide the decline and stope developments on the first two mining levels. Furthermore, during the FEED phase, the Company intends

to relocate the 50tph DMS production plant that is expected to be acquired for a nominal fee from Ocea and which should enable the Company to have its production facility upgraded and available for processing of ore during the first year of mine development. The Company, with its consultants PPM/SRK, have established that these three key work streams, the FEED, drilling and relocation of the processing plant, will require in the region of US\$3 million to complete.

The PEA produced in respect of the Tongo-Tonguma has estimated that the initial capital requirements required before commencement of revenues, will be approximately US\$31.8 million which includes a 15 percent. level of contingency.

## **6. Details of the Placing and Fee Shares**

On 11 September 2017, the Company announced that it had conditionally placed 10,153,847 Placing Shares at the Issue Price to raise £330,000 (before expenses). The Placing completed on 14 September 2017 and the Placing Shares were admitted to trading on AIM on that date along with 1,978,437 Fee Shares issued at the Issue Price in lieu of accrued fees and remuneration to certain Directors and senior management of the Company.

## **7. Details of the Open Offer**

The Company is proposing to raise up to £200,000 (before expenses) pursuant to the Open Offer. The proposed issue price of 3.25 pence per Open Offer Share is the same price as the Issue Price at which Placing Shares were issued pursuant to the Placing.

The Directors recognise the importance of pre-emption rights to Shareholders and consequently up to 6,153,846 Open Offer Shares are being offered to existing Shareholders by way of the Open Offer. The Open Offer provides Qualifying Shareholders with an opportunity to participate in the Open Offer by subscribing for their respective Basic Entitlements and Excess Entitlements.

Qualifying Shareholders may subscribe for Open Offer Shares in proportion to their holding of Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer.

The Open Offer is conditional, amongst other things, on the following:

- i. admission of the Open Offer Shares to trading on AIM becoming effective on or before 8.00 a.m. on 3 October 2017 (or such later date and/or time as the Company and Peterhouse may agree, being no later than 13 October 2017).

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 3 October 2017 (or such later time and date as the Company may decide being no later than 8.00 a.m. on 13 October 2017), the Open Offer will lapse and application monies will be returned by post to the Applicant(s) at the Applicant's risk and without interest, to the address set out in the Application Form, within 14 days thereafter.

The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

### ***Basic Entitlement***

Subject to the fulfilment of the conditions set out below and in Part IV of this document, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares under the Open Offer at the Issue Price, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the following basis:

## **1 Open Offer Share for every 8.914 Existing Ordinary Shares**

held by Qualifying Shareholders and registered in their name at the Record Date.

Open Offer Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated and will be disregarded. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Entitlement.

If you have sold or otherwise transferred all of your Existing Ordinary Shares after the ex-entitlement Date, you are not entitled to participate in the Open Offer.

**The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that under the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.**

Application has been made for the Open Offer Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements will be admitted to CREST on 18 September 2017. The Open Offer Entitlements will also be enabled for settlement in CREST on 18 September 2017 to satisfy bona fide market claims only. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part IV of this document and for Qualifying Non-CREST Shareholders on the Application Form. To be valid, Application Forms (duly completed) and payment in full for the Open Offer Shares applied for must be received by Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland by no later than 11 a.m. on 2 October 2017.

Qualifying Non-CREST Shareholders will receive an Application Form which sets out their maximum entitlement to Open Offer Shares as shown by the number of Basic Entitlements allocated to them.

The Open Offer is restricted to Qualifying Shareholders in order to enable the Company to benefit from exemptions from securities law requirements in certain jurisdictions outside the United Kingdom.

### ***Excess Application Facility***

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Basic Entitlements in full, to apply for Excess Entitlements to the extent that if a Qualifying Shareholder has taken up its Basic Entitlements in full and applies for and is allocated the maximum Excess Entitlements it will suffer no dilution as a result of the Placing and Open Offer. Qualifying Non-CREST Shareholders who wish to apply to acquire more than their Basic Entitlements should complete the relevant sections on the Application Form. Qualifying CREST Shareholders will have Excess Entitlements credited to their stock account in CREST and should refer to paragraph 3(ii) of Part IV of this document for information on how to apply for Excess Entitlements pursuant to the Excess Application Facility. Applications for Excess Entitlements will be satisfied only and to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Basic Entitlements and may be scaled back at the Company's absolute discretion.

Once subscriptions by Qualifying Shareholders under their Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether or not to meet any applications for Excess Entitlements in full or in part and no assurance can be given that applications by Qualifying Shareholders under



the Excess Application Facility will be met in full, in part or at all. Application will be made for the Basic Entitlements and Excess Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that Open Offer Shares issued pursuant to subscriptions by Qualifying Shareholders exercising their Basic Entitlements and Excess Entitlements will be admitted to CREST at 8.00 a.m. on 3 October 2017. Such Open Offer Shares will also be enabled for settlement in CREST at 8.00 a.m. on 3 October 2017. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. Qualifying NonCREST Shareholders will receive an Application Form which sets out their entitlement to Open Offer Shares as shown by the number of Basic Entitlements allocated to them. Qualifying NonCREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements on 18 September 2017. Qualifying CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of their Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. If applications are made for less than all of the Open Offer Shares available, then the lower number of Open Offer Shares will be issued and any outstanding Basic Entitlements will lapse.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part IV of this document. For Qualifying Non-CREST Shareholders, completed Application Forms, accompanied by full payment, should be returned by post, or by hand (during normal business hours only), Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 2 October 2017. For Qualifying CREST Shareholders the relevant CREST instructions must have been settled as explained in this document by no later than 11.00 a.m. on 2 October 2017.

#### **Action to be taken in respect of the Open Offer**

If you are a Qualifying Non-CREST Shareholder you will be sent an Application Form which gives details of your Basic Entitlement (i.e. the number of Open Offer Shares available to you). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Application Form in accordance with the procedure set out at paragraph 3(i) of Part IV of this document and on the Application Form itself and post it, or return it by hand (during normal business hours only), together with payment in full in respect of the number of Open Offer Shares applied for to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland so as to arrive as soon as possible and in any event so as to be received no later than 11 a.m. on 2 October 2017, having first read carefully Part IV of this document and the contents of the Application Form.

If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. As a Qualifying CREST Shareholder you will receive a credit to your appropriate stock account in CREST in respect of your Basic Entitlement. You should refer to the procedure set out at paragraph 2 and paragraph 3 (ii) of Part IV of this document.

**The latest time for applications to be received under the Open Offer is 11.00 a.m. on 2 October 2017. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your Basic Entitlement or your Basic Entitlement has been credited to your stock account in CREST. The procedures for application and payment are set out in Part IV of this document. Further details also appear on the Application Form which has been sent to Qualifying Shareholders. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.**

**If you are in any doubt as to the procedure for acceptance, please contact Computershare Investor Services on 01 247 5693 from within the UK or +353 01 247 5693 if calling from outside the UK. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please**

**note that Computershare Investor Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.**

**If you are in any doubt as to the contents of this document and/or the action you should take, you are recommended to seek your own personal financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the UK or, if you are outside the UK, from an appropriately authorised independent financial adviser, without delay.**

## **8. Convertible loan notes in issue**

In 2015, Stellar raised a total of US\$1.65 million in aggregate from Deutsche Balaton by way of the DB 2015 CLNs, alongside the DB 2015 Warrants which were also issued at that time. Deutsche Balaton also became a substantial shareholder of the Company through a subscription for new Ordinary Shares in November 2015. In October 2016 following the announcement of the proposed acquisition of Tonguma, the Company issued further convertible loan notes to Deutsche Balaton, Steven Poulton and Creditforce Limited ("Noteholders") to raise in aggregate US\$1.24 million through the issue of the 2016 CLNs to provide the Company with working capital and to repay certain shareholder loans (details of which were announced by the Company on 13 June 2016). The terms of the 2016 CLNs and associated 2016 Warrants issued at that time were announced on 6 October 2016. On 24 February 2017, the Company announced that it had renegotiated certain terms of the 2016 CLNs and the DB 2015 CLNs and associated warrants in view of the termination of the acquisition of Tonguma and instead taking into account the proposed Tribute Mining Agreement. The terms of the 2016 CLNs and the DB 2015 CLN were further amended as announced on 5 May 2017, 3 July 2017, 14 August 2017 and 11 September 2017.

On 14 August 2017, the Company announced that it has repaid the existing US\$1.24 million 2016 CLN to the Noteholders by way of entering into a new US\$1.34 million Convertible Loan Note ("US\$1.34 million CLN") agreement with the Noteholders. The US\$1.34 million CLN and accompanying warrants have the same terms as the US\$1.24 million CLN and accompanying warrants other than announced on 14 August 2017. The key amended terms of the loan notes are set out below.

The DB 2015 CLNs and the DB 2015 Warrants have not been converted (or exercised in the case of the DB 2015 Warrants) to date. In order to facilitate the potential acquisition of Tonguma, as had been previously envisaged by the Company, the Company entered into a conditional amendment agreement with Deutsche Balaton (the "Amendment Agreement"), to restructure the DB 2015 CLNs and the DB 2015 Warrants and to waive Deutsche Balaton's option to convert the DB 2015 CLN and/or exercise the DB 2015 Warrant at the subsidiary company level and waive all interest due under the DB 2015 CLN, in return for issuing Deutsche Balaton new Ordinary Shares and additional warrants. Details of the Amendment Agreement were announced on 6 October 2016 ("CLN Announcement").

Key terms of the existing convertible loan notes and warrants (as amended) are summarised below however Shareholders should refer to the announcements referred to above for more detail.

### **US\$1.34 million CLN**

An unsecured transferable convertible loan with a nominal amount of US\$1.34 million. The maturity date of the CLN is 20 months after the issue of the CLN ("Maturity Date").

The CLN may be converted into new Ordinary Shares (at the election of the Noteholder) commencing on the later of

- i) the date of completion of the Transaction (as defined below) (or the date on which the Company announces that the Transaction will not proceed); and
- ii) the date of obtaining the necessary shareholder authorisations which are needed to enable the Company to issue new Ordinary Shares pursuant to conversion of the CLN

and ending on 5 June 2018 (the maturity date). The "Transaction" referred to in i) above is defined as the completion of the Tribute Mining Agreement and the raising of at least US\$35,000,000 in debt or equity finance.

The CLN's are convertible into Ordinary Shares at a price of 70 percent of the Transaction Price per Ordinary Share with "Transaction Price" being defined as the lower of

- i) the VWAP of the next US\$2 million in equity raised by the Company; or
- ii) the VWAP of the first US\$10 million in equity raised after 1 February 2017; or
- iii) the VWAP of equity raisings from the date of this agreement until at least US\$35 million in debt financing has been raised for the Tongo-Tonguma Project;

The Company may give notice of early repayment of the CLN at any time, subject to giving 20 days' notice to the Noteholders ("Early Repayment") at which point the Noteholders may elect to convert the CLN into Ordinary Shares. Interest is payable on the CLN at 18 percent per annum for the first 10 months following issuance and 24 percent per annum thereafter payable monthly in arrears.

The CLN's are subject to standard anti-dilution provisions and protections including, inter alia, in the event of a capital reorganisation.

In conjunction with the CLN and subject to obtaining shareholder authorities in relation to the Company's ability to issue new Ordinary Shares at a general meeting, the Company will issue the Noteholders with warrants which are equivalent to three times the principal amount of the CLN. The warrants will be issued on completion of the Transaction or on the Transaction default date, whichever comes first. The warrants are exercisable at the lower of 5 pence or the Transaction Price. The warrants are exercisable for a period of 18 months following issue. Should the warrants be exercised then the resulting Ordinary Shares issued to the warrant holder shall be subject to a lock-in period of six months from the date of exercise.

In the event that the Transaction as defined above does not complete, the conversion price of the loan notes and the subscription price for the associated warrants will be based on the lower of 70 percent of 5 pence or the 3 or 45 day historical VWAP prior to notice of exercise of the CLN Warrants ("Default Subscription Price").

In the event of early repayment and the Noteholders not electing to convert the outstanding CLN into Ordinary Shares, the Company agrees to issue the Noteholders additional warrants ("Repayment Warrants") with an aggregate subscription price of US\$1.34 million, such warrants to be exercisable at 70 per cent. of the Transaction Price (or the Default Subscription Price in the event that the Transaction does not complete). The Repayment Warrants are exercisable for a period of 18 months following issue.

#### **2015 Deutsche Balaton \$1.65m CLN ("DB 2015 CLN")**

Convertible loan note for US\$1.65m in aggregate and an associated warrant instrument to subscribe for Ordinary Shares for an aggregate subscription price of US\$1.65 million. The maturity date of the DB 2015 CLN is 31 October 2017 unless redemption of the loan notes or conversion into Ordinary Shares ("Conversion") has occurred prior to this date ("Maturity Date") or the Transaction is completed prior to this date.

Originally the DB 2015 CLN was convertible into either Ordinary Shares in the Company or shares in the Group's subsidiary company's however pursuant to the Amendment Agreement referred to above, Deutsche Balaton agreed, conditional on, inter alia, completion of the Tribute Mining Agreement and the date on which Stellar has raised a minimum initial funding of US\$10 million, to waive Deutsche Balaton's option to convert the convertible and/or exercise their existing warrants at the subsidiary company level in return for issuing Deutsche Balaton US\$1.0 million of new Ordinary Shares at an issue price of the lower of:

- i) 5 pence per share
- ii) the VWAP of the next \$2m equity raised;

- iii) the VWAP of the first \$10m raised since 1 February 2017; or
- iv) the VWAP of equity raisings from the date of this amendment until at least \$35m of debt has been raised for the purposes of the Tongo-Tonguma Project.

The issue price above (“DB Issue Price”) is also the conversion price for the US\$1.65m loan note. In addition to this, Stellar agreed to grant additional new warrants to subscribe for such number of Ordinary Shares at the DB Issue Price for a total subscription amount of US\$0.83 million for 24 months following completion of the Transaction. The warrants related to the DB 2015 CLN are also exercisable at the DB Issue Price.

The DB 2015 CLN may be redeemed in cash at any time at the Directors' discretion, providing that 10 weeks' notice is given to Deutsche Balaton.

In the event that completion of the Tribute Mining Agreement does not occur and the Company does not raise US\$35m as a minimum (by 30 September 2017 or 30 November 2017 in the event that the Company enters into a satisfactory letter of intent for funding of the Tongo-Tonguma project development prior to 30 September 2017), the Amendment Agreement will be null and void.

## **9. Use of proceeds**

Assuming full take up under the Open Offer, the proceeds of the recent Placing and Open Offer net of total anticipated expenses, will be approximately £0.49m (US\$0.65m), which will be applied principally as follows:

- US\$0.15m for the payment of the Tongo Environmental Licence
- US\$0.10m for the payment of the Tonguma Environmental Licence
- US\$0.40m for repayment of certain creditors and for working capital purposes in relation to the Tongo-Tonguma Project and the Group.

## **10. Action to be taken**

Action to be taken in respect of the Open Offer is set out in paragraph 7 above and also in Part IV of this Document. If you are a Qualifying Non-CREST Shareholder, an Application Form will be posted for completion by Qualifying Shareholders who wish to participate in the Open Offer. If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. As a Qualifying CREST Shareholder you will receive a credit to your appropriate stock account in CREST in respect of your Basic Entitlement. You should refer to the procedure set out at paragraph 3(ii) of Part IV of this document.

Yours faithfully

**Lord Peter Daresbury**  
*Non-Executive Chairman*

## PART II

### RISK FACTORS

There are significant risks associated with the Company. Prior to making an investment decision in respect of the Ordinary Shares, prospective investors should consider carefully all of the information within this document, including the following risk factors. The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority. Additionally, there may be risks not mentioned in this document of which the Directors are not aware or believes to be immaterial but which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities, if you are in the United Kingdom, or any appropriately authorised person under applicable laws, if you are located in any other jurisdiction.

#### Operational Risks

##### *Tribute Mining Agreement*

The Company has entered into the Tribute Mining Agreement pursuant to which Stellar will mine the Tonguma Project alongside the Tongo Project. Completion of the Tribute Mining Agreement is conditional on inter alia, valid licence opinions being obtained for the Tongo and Tonguma licences, any encumbrance over the Tonguma company or assets being lifted and the parties (each acting reasonably) being satisfied that Stellar shall receive sufficient monies to finance the FEED stage of the Mine Plan. There is no guarantee that any conditions in the Tribute Mining Agreement will be met. In particular, the Company may not be able to raise sufficient capital to meet the initial financing condition or to finance the development of the mine. Should the Company be unable to raise sufficient capital to complete the Tribute Mining Agreement (which may lead to termination of the Tribute Mining Agreement) or to complete the proposed mine development, the prospects and financial position of the Group will be severely affected and the Company may be unable to raise funds to develop Tongo as a standalone project.

Stellar will have no legal right of ownership over the Tonguma Project and in the event of termination of the Tribute Mining Agreement, Stellar will have no form of ownership over Tonguma or the Tonguma Licence. Stellar has sought to mitigate this risk in so far as possible, but this is within the constraints of terms agreed in the Tribute Mining Agreement. Shareholders should note that the Directors consider that the Tonguma Licence is subject to the same risks as the Tongo Licence, including but not limited to the risk factor below headed "Title Matters and Licence Renewals".

Stellar will also have no control over Ocea or the wider group which may control Ocea (BSG Resources). Stellar's share price, ability to raise funds and future prospectus could be impacted by any negative press relating to these entities and their associated parties.

### ***Mining, Exploration and Development Risks***

There is no certainty that the expenditures made or to be made by the Group in the exploration and development of its mineral properties or properties in which it has an interest will result in profitable commercial mining operations.

The successful exploration and development of mineral properties is speculative and subject to a number of uncertainties and hazards which even a combination of careful evaluation, experience and knowledge may not eliminate. Factors affecting the economics of developing mineral properties and commercial viability of such projects include, but are not limited to, variations in grade, deposit size, density, unusual or unexpected rock formations and other geological problems, structural cave-ins or slides, seismic activity, flooding, fires, explosions, periodic interruptions due to inclement or hazardous weather conditions, environmental hazards, hydrological conditions, delays in installing and commissioning plant and equipment, metallurgical and other processing problems, mechanical equipment performance problems and other technical problems, the unavailability of materials and equipment including fuel, labour force disruptions or shortage of skilled workers, unanticipated interruptions or significant changes in the costs of services and supplies including but not limited to water, transport, fuel and power, and unanticipated regulatory changes, quality of management, quality and availability of geological expertise and such other factors as government regulations (relating to such things as prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection).

In common with all mining operations, there is uncertainty associated with the Group's operating parameters and costs. In particular, a detailed PEA has been produced for the Tongo-Tonguma Project which includes forecast capital and operational expenditure together with estimated levels of diamond recovery, potential revenue and ultimately potential economic returns, however, actual costs and returns from the Tongo-Tonguma Project could vary significantly from these estimates, not least in the event that the Tribute Mining Agreement (to the extent entered into) is terminated. For example, fiscal terms will only be agreed once the mining licence for the Tongo Project has progressed. Any significant variations could have a material impact on the financial position and prospects of the Group. However, in the Director's financial model the statutory fiscal terms have been included and any successful fiscal terms negotiation with the Government of Sierra Leone will only serve to better the economics of the Tongo mine.

### ***Risks relating to kimberlite dykes***

Kimberlite dykes in general are regarded as reasonably predictable deposits in terms of grade and diamond value, but are also known to pinch, swell, bifurcate and to be off-set by up to 10m, from lens to lens (or zone to zone), over distances of 50-100m. These traits have been seen at both Tongo and Tonguma. There could be areas between drill holes where the dykes change in morphology by thinning and/or swelling, and also stepping. Significant variations in the morphology compared to expectations could result in increased capital costs for the project and/or result in the production of less carats than estimated in the Tongo-Tonguma Project PEA which could have a material impact on the cash flows and profitability of the project. Stellar intends to mitigate this geological risk by advance drilling ahead of any underground decline or stope mining development.

### ***Estimates of Reserves, Resources***

Although potential resource figures incorporated in this document and in the CPR have been carefully prepared by the Competent Person, these amounts are estimates only. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from previous sampling analysis, which may prove to be inaccurate. There can be no assurance that estimates will be accurate, mineral reserves, mineral resources or other mineralisation figures will be accurate, or that these mineralisations could be mined at the volume, grade and rates estimated or processed profitably. Results of further drilling, metallurgical testing, production and exploration activities subsequent to the date of any estimate may justify revision (up or down) of such estimates.

Estimates of potential reserves, resources and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Material changes in reserves, grades or recovery rates may affect the economic viability of projects and current projects could become commercially unviable as a result of any material reduction in estimates of reserves and resources.

Reserves are reported as general indicators of mine life and should not be interpreted as assurances of mine life or the profitability of current or future operations.

The ultimate volume of production of diamonds may be lower than expected and the grade of ore ultimately mined, if any, may differ from that indicated by drilling and bulk sampling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

In particular, subject to completion of the Tribute Mining Agreement, the Directors have decided to proceed with a mining plan for the Tongo-Tonguma Project based on, *inter alia*, an inferred resource (as defined in accordance with the JORC code); a preliminary economic assessment and a mining plan of the Tongo-Tonguma Projects. An inferred resource is a deposit which has been sampled (usually by drilling and bulk sampling) to a point at which an estimate of its grade and tonnage is made at low confidence. Generally this is very approximate and subject to uncertainties. There is therefore an increased risk (compared to an indicated or measured resource or reserve that provides an increased level of confidence as a basis for making decisions on developing a deposit) that the quantity and quality of diamonds recovered from the Tongo-Tonguma Project differs materially from expectations. However, the Directors note that some 65,000 metres of drilling over the Tongo-Tonguma licences is significant, as are bulk samples totalling over 7,000 carats of diamonds for grade and value estimation, and does mitigate somewhat the risk associated with geological continuity across the inferred ore resource of the Kundu, Lando and Tongo dykes.

#### ***Exploration Targets***

Exploration targets identified in this document and in the CPR remain conceptual in nature and it is uncertain if further exploration will result in estimation of a mineral resource. They have not been prepared in accordance with a mining standard as there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the exploration targets being defined as a mineral resource or result in commercial quantities of diamonds being produced.

#### ***Operational Targets and Delays***

The Group's operational targets will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. The Group will not generate any material income until large scale mining has successfully commenced. In the meantime the Group will continue to expend its cash reserves.

#### ***Mining and Recovery Risk***

The mining of kimberlites from underground which uses explosives in confined spaces involves an inherent degree of risk including geological, geotechnical and seismic factors. There may also be mechanical accidents and water difficulties caused by heavy rain on surface. The recovery plant can also be subject to breakdowns, mechanical failures and power outages while some diamonds in the ore may escape capture. Significant unexpected difficulties relating to mining and recovery of diamonds could significantly affect the Group's ability to recover diamonds in the quantities targeted in the PEA and ultimately may affect the financial condition and prospects of the Group.

### ***Recoverability of carrying values***

The recoverability of balance sheet carrying values for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the financing necessary to complete exploration and development, and the success of future operations. The application of the Group's accounting policies for exploration and evaluation assets requires judgement in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review when assessing impairment. Furthermore, the assessment as to other economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available and may therefore impact the Company's financial estimations and reported results.

### ***Sale of Guinea projects***

The Company agreed the heads of terms for the proposed sale of its Guinea projects (Including the Baoulé, Droujba and Mandala projects) in June 2017. The consideration for the sale was initially agreed at US\$2 million in aggregate, subject to due diligence. Of this US\$2 million, the Company has to date received US\$0.5 million by way of exclusivity fees. The final quantum of the transaction price and balance of consideration to be paid by BDG Capital Limited to Stellar will be determined by the outcome of due diligence and audit and tax filings which are in the process of being finalised. Exclusivity in relation to the proposed sale has currently been extended to the end of September 2017. There is no guarantee that the sale will proceed as anticipated or that the final consideration payable to Stellar (including exclusivity payments already made) will be US\$2 million. In the event that the final consideration is proposed by the buyer to be materially less than US\$2 million, the Company may decide not to proceed with the sale however the Company will retain the exclusivity payments already received by it in this situation. In the event that the sale does not complete, the Company will need to find an alternative source of financing to contribute to the Tongo-Tonguma FEED work.

### ***Title Matters and Licence Renewals***

The Group's principal assets are its minerals assets which are subject to renewal requirements.

Although the Directors have no reason to believe that licence renewals will not be granted in the future, there can be no guarantee that this will be the case. If licences are not renewed the Group will lose the benefit of the rights under them which would have a material adverse affect on the business, financial condition and results of operations of the Group. Although the Tongo exploration licence expired in September 2017 the Company formally applied for a large scale mining licence through automatic conversion rights from exploration to mining as allowed for in the the Mines and Minerals Act (2009).The Tongo mining licence has been approved by the Minerals Advisory Board in Sierra Leone, subject to the payment of the environmental licence fee.

Tonguma has a ratified (via the Sierra Leone Parliament) Mine Lease dated September 2012. The licence attracts a fee of approximately US\$500,000 per year which became due in July 2017. As part of the Tribute Mining Agreements Stellar will pay for the Tonguma mining licence fees and has informed the Government of Sierra Leone that it will do so out of the project development funding package however until such time as this payment is made, it is not possible to get a final title opinion on the Tonguma mining licence, though the NMA has confirmed that it will provide letters of good standing for both the Tonguma and Tongo licences, if requested. Should the project funding not be forthcoming then the Tribute Mining Agreement falls away and the payment of the licence will not be made.

The acquisition and retention of title to mineral rights is a detailed and time-consuming process. Title to, and the area of, mineral resource claims may be disputed or challenged. Whilst the Directors are satisfied that the Company has taken reasonable measures to ensure an unencumbered right to exploit the Group's licensed areas in Sierra Leone, Liberia and Guinea, it is subject to greater risks than companies operating in more developed markets, including significant legal, economic and political risks, and ownership and enforcement of due title and there is no guarantee that title to its prospecting licences will not be challenged or impaired.



Any successful challenges to the title of the Group's mineral licences may cause the Group to lose all or part of its interest in its licences and materially delay or restrict the Group's ability to proceed with its exploration operations. There is no guarantee that the Group will be able to secure any new licences, permissions, clearances or other titles or exemptions required for its projects. There is no guarantee, even where the necessary approvals are obtained, that any subsequently required approvals will also be granted or maintained throughout the life of the Group's projects. The Group may not be able to retain its licence interests when they come up for renewal.

A mineral right in Sierra Leone may be suspended by the government of Sierra Leone until it is certain that the provisions of safety in the Sierra Leone Mining Act are being complied with fully. A temporary suspension order shall lapse within twenty-one (21) days of its issuance unless it is confirmed in writing by the Minister. There are similar conditions in Guinea and Liberia.

Investors should also note that emerging economies such as the economies of Sierra Leone, Guinea and Liberia are subject to rapid change and that the information set out in this document may become outdated relatively quickly.

Typically a mineral right may be cancelled if the holder of such rights fails to abide by certain stipulated conditions including:

- failure to make payments required;
- failure to meet any prescribed minimum annual programme of work or work expenditure requirements;
- gross violation of health and safety regulations or causing environmental harm;
- employment of child labourers; and
- failure to submit required reports.

Any changes in the laws of countries in which the Group carries on business relating to mining could materially affect the rights and title to the interests held there by the Group. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorisations nor that such exploration and mining authorisations will not be challenged or impugned by third parties.

Any action, including Government action which results in either cancellation, non-renewal or loss of licences may have a serious adverse effect on the prospect and financial condition of the Group. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisers before making an investment in the Ordinary Shares.

#### ***Application for mining licence and environmental licence***

The Company made an application for a mining licence over its Tongo project to replace the existing exploration licence. The Company was verbally informed in May 2016 that the Minerals Advisory Board ("MAB") had approved the licence, however, progression of the licencing process remains subject to the National Minerals Agency ("NMA"), the licencing body of the Ministry of Mines, formally writing to Stellar to inform it of the decision and drawing up a licence agreement to be forwarded to the Minister of Mines for approval. In addition, the fiscal terms relating to the mining licence applied for remain to be negotiated between Stellar and the Government of Sierra Leone and any negotiated changes to the fiscal terms in a mining concession agreement granted will require ratification through Parliament. The Directors are confident, following conversations with the Sierra Leone government, that the mining licence will be granted shortly after payment of the agreed EPA licence fee of US\$150,000 to the EPA. However, there is no guarantee of this occurring on a timely basis or that any licence granted will be on favourable fiscal terms

In the event that the mining licence and the environmental licence are not issued, the Group will not be able to commence mining in the Tongo Licence area of the Tongo-Tonguma Project which could significantly affect the Group's prospects.

### ***Competition***

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Group competes with other exploration and mining companies, many of which have greater financial resources than the Group, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

### ***Environment, Health and Safety Risks***

The Group's operations are subject to environmental and safety regulation in the countries in which the Group operates including Sierra Leone, Guinea and Liberia. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject, under such regulations, to clean up costs and liability for toxic and hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Group may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of the relevant jurisdiction. It is likely that stricter standards and enforcement may result in increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Environmental laws may also result in limitations of mining activities.

Environmental awareness on the part of the public has been increasing, as has public pressure on environmental authorities. No assurance can be given that the need to comply with current or future environmental laws, regulations or commitments will not have a material adverse effect on the activities of the Group or that the liabilities resulting from any environmental damage caused by the activities of the Group will not be material. There can be no assurance that all permits which the Group may require can be obtained or maintained on reasonable terms.

There may be existing or future unforeseen liabilities arising from the Group's activities or any previous activities of third parties (including Ocea in relation to Tonguma) in the relevant licensed areas.

### ***Insurance Risks***

The Group may decide to insure its activities in accordance with industry practice and may decide to insure the risks it considers appropriate for its needs and for its circumstances. Insurance cover will not be available for every risk faced by the Group.

Although the Board believes the Group carries adequate insurance with respect to its activities in accordance with industry practice, in certain circumstances its insurance may not cover or be adequate to cover the consequences of such events. In addition, the Group may be subject to liability for pollution, cave-ins, pit wall failures, flooding or other hazards against which it may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Group.

### ***Litigation risks***

While the Group has no material outstanding litigation or dispute not already disclosed, there can be no guarantee that current or future actions of the Group will not result in litigation. The mining industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation may be brought against the Group in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not

have a material adverse effect on the Group's financial position, results or operations. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

### ***Management risks***

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. This is particularly the case since the Existing Group's operations are being significantly expanded by Tonguma and the Company intends to move from exploration activities into mining production activities.

Any failure of management to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition and results of operations.

The Company's success will depend to a significant degree upon the contributions of qualified technical personnel and the Executive Directors. Stellar will require experienced narrow stope mining teams on each mine, as well as experienced managers. Its future success will depend in a large part upon its ability to attract and retain highly skilled personnel in Sierra Leone. Competition for such personnel in the mining industry can be intense, and the Company may not be successful in attracting and retaining qualified personnel.

The continued services of the Executive Directors, consultants, senior staff and skilled workforce cannot be guaranteed, and the loss of their services to the Group may have a material adverse effect on the performance of the Group.

### ***Actions of third parties, including contractors and partners***

The Group will be reliant to an extent on third parties including those who provide contracting services. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or profitability of the Company and may affect the Company's ability to maintain or renew the Group's license and permits. To the extent that the Group cannot engage contractors according to its plans and budgets, its profit may be adversely impaired.

In certain circumstances, the Group may be liable for the acts or omissions of its partners. If a third party pursues claims against the Group or against a joint venture vehicle as a result of the acts or omissions of the Group's partners, the Group's ability to recover from such partners may be limited. Recovery under such arrangements may involve delay, management time, costs and expenses or may not be possible at all which, in each case, could adversely affect the Group's financial performance and condition.

### ***Availability of and access to infrastructure***

The Group's mining, processing, development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supplies. Any failure or unavailability of the infrastructure on which the Group's operations rely could adversely affect the production output from its mines or impact its exploration activities or the development of a mine or a project. If the infrastructure used by the Group is affected, it could have a material adverse effect on the Group's business, results or operations or financial condition.

### ***Guinea – Government participation in diamond rights***

The Republic of Guinea has the right to a free equity carry of 15 per cent. in companies which undertake mining operations (not bulk sampling) involving diamonds. There is therefore a risk that this right could be exercised, causing the Company's interest in the Guinean subsidiaries, and ultimately Shareholders' interests, to be diluted.

### ***Estimates in financial statements***

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires the Group to use its judgement to determine the amount to be recorded in its financial statements in connection with these estimates. The Group's accounting policies regarding exploration and evaluation require management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of kimberlite have been found. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Group could be required to write down the value of certain assets. On an ongoing basis, the Group re-evaluates its estimates and assumptions, however, actual quantities of diamonds recovered could differ significantly from the Group's Enlarged estimates and assumptions.

### ***The legal system in many emerging markets countries is less certain than more developed legal systems***

Many emerging markets countries have a less developed legal system than more established economies, particularly with respect to mining operations, which may result in risks such as: (i) potential difficulties in obtaining effective legal redress in their courts, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of Governmental authorities; (iii) the lack of judicial or administrative guidance when interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In addition, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Any difficulties faced by the Group arising from these uncertainties could have an adverse effect on the Group's business and financial condition and prospects.

### ***Bribery and corruption***

The Board is of the opinion that the Group has sufficient policies and procedures in place to prevent bribery and corruption in its operations. Nevertheless, the Group operates in a region where its representatives may be exposed to potentially corrupt practices. There is no guarantee that the Group's policies will successfully protect the Group from such practices and their legal and financial consequences.

### ***Currency Risks and Exchange Rate Fluctuations***

The Placing and Open Offer and other financing activities will be received in pounds sterling while a significant portion of the Group's operating expense will be incurred in other currencies, particularly the United States Dollar and those of the countries in which the Group operates. Accordingly, foreign currency fluctuations may adversely affect the Group's financial position and operation results.

Additionally, the Group will conduct its operations in jurisdictions other than that of the Company's reporting currency and will therefore be subject to fluctuations in exchange rates between these countries in relation to the relative costs of inputs and labour and returns received from production. A significant fluctuation in any of the Group's key operating currencies and notably the US\$, could have a material adverse effect on the business, financial condition and results of operations of the Group. The Group's future income may become subject to exchange control or similar restrictions.

While hedging of exchange rates is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost. The Company has no current hedging rate strategy in place.

### ***Economic risk and world diamond price volatility***

In common with other early stage emerging market economies, many African countries (where all of the Group's assets are located) are dependent on sale proceeds from primary commodity production which are

subject to fluctuations in world commodity prices. In general, these economies have also experienced devaluations, high inflation and high interest rates. All these economic risks may from time to time adversely affect the Group's operations.

The value of diamonds varies widely according to size, colour and freedom from flaws. Individual kimberlites may contain diamonds of very different average values. The market price of diamonds and other precious stones is affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of international supply and demand for diamonds, changes in international investment patterns and global or regional consumption patterns, production costs, costs of substitutes, inventory levels and carrying costs, expectations or rates of inflation, currency availability and exchange rates, interest rates, speculative activities in connection with diamonds and increased production due to improved mining and production methods. If the price of certain stones should drop significantly, the economic prospect of operations in which the Company has an interest could be significantly reduced or rendered uneconomic. De Beers, while no longer a cartel, accounts for a significant percentage of global rough diamond sales and therefore still exerts significant influence in the market.

#### ***Economic, political, judicial, administrative, taxation or other regulatory factors***

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group operates.

Specific political risks include:

- Changes to existing legislation related to tax, import duties, custom procedures, ownership, foreign exchange laws and environmental mitigation, leading to an adverse impact on the project;
- Confiscation, expropriation or nationalisation of the Group and/or its assets;
- Delays in the granting of permits, licences and other consents from the government;
- Restrictions on repatriation of profits and interest payments;
- Controls or restrictions on the rate of depletion of the Group's reserves;
- War, revolution or political violence; and
- Devaluation in the local currency, leading to a reduced value of the dividends stream.

African territories experience varying degrees of political instability. There can be no assurance that political stability will continue in those countries where the Group currently has or in the future will have operations. In the event of political instability or changes in government policies in those countries where the Group operates, the operations and financial condition of the Group could be adversely affected.

A civil war was fought in Sierra Leone over a period of 10 years, ending in 2002. Whilst the country has undergone three peaceful elections and it now has a democratically elected president, there is still a risk of sporadic civil unrest and violent political demonstrations.

#### ***Protection of assets and personnel***

No assurance can be given that the Group will be able to maintain effective security in connection with its assets or personnel in Sierra Leone, Guinea and Liberia. Whilst the Group has enhanced security and loss control procedures, the risk remains of illegal mining, theft, threats to workers' lives and safety as well as industrial espionage, information loss and the loss of operational efficiency. The Group is not currently insured against these risks as such insurance is either not currently available or is uneconomic.

#### ***Working Capital***

The Company's working capital position will remain constrained following completion of the Open Offer. The Company will need to raise further funds to develop the mine plan and close the Tribute Mining Agreement and, depending on timing of this and the quantum of funds raised in the Open Offer, the Company may need to raise additional funds for ongoing working capital whilst the project funding is realised. Whilst the Directors

believe that this will be possible, the timing, quantum, structure and pricing of any future raise are uncertain and may be dependent on the Company's ability to enter into the Tribute Mining Agreement on a timely basis. Shareholders should note that the Company may not be able to meet its future working capital requirements.

The Company is also reliant on the continued extension of long stop dates in relation to the convertible loan notes in issue. In the event that the Company is unable to meet the conditions of the convertible loan notes by the applicable long stop dates, the loan note holders may require that the loans be repaid or be converted on less favourable terms which could have a material impact on the prospects of the Group and/or dilute shareholders' interests.

### ***Access to capital markets***

The Group will require additional financial resources to continue funding its exploration and development activities and to provide general working capital. In particular, the Group will need to raise a significant amount of money to commence mining at the Tongo-Tonguma Project as currently envisaged. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, this future funding may significantly dilute the interests of existing Shareholders. There can be no guarantee that any further capital raisings will be successful. Any investment in the Group should be regarded as an investment in the potential diamond resources rather than a direct investment in the commodity itself.

### **General Risks**

#### ***Force Majeure***

There is the risk of natural occurrences such as fires, earthquakes and floods, and other extraordinary events such as wars, acts of terrorism, strikes, riots, crimes, civil disturbances and the like, having an impact on the Group's operations. Such occurrences are beyond the control of the Group and, if any one or more should occur such that it has an impact on one or more of the Group's projects or investments, it is likely to have a material adverse impact on the activities of the Group, and the costs and expenses associated with the affected projects or investments.

#### **Risks related to trading on AIM**

##### ***Investment in AIM Securities***

There can be no assurance that an active trading market for the Ordinary Shares will exist, or that it will be maintained. An investment in shares traded on AIM may be less liquid and is perceived to involve a higher degree of risk than an investment in a company whose shares are listed on the Official List. Investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

##### ***Volatility of share price***

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, including but not limited to announcements of exploration and development activities, innovations or new services by the Company or its competitors, variations in operating results, changes in financial estimates and recommendations by securities analysts, political and regulatory changes affecting the industry and countries in which the Group operates, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Company's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and market conditions in the industry, the industries of customers and the economy as a whole. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Company's performance.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Company's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Company. Each of these factors, among others, could harm the value of the Ordinary Shares.

### ***AIM Rules for Companies***

The AIM Rules for Companies are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has examined or approved the contents of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### ***Taxation Risk***

Any change in the Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders.

### ***Overseas securities laws***

The Open Offer Shares have not been nor will they be registered under the US Securities Act or the securities laws of any other jurisdiction. Subject to certain exceptions, the Open Offer Shares may not be offered, sold, delivered, pledged or otherwise transferred in any jurisdiction where such registration may be required.

### ***Impact of research on share price***

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Company or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Company obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Company's business, the share price would be likely to decline.

If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

### ***Future payment of dividends***

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and will depend upon, inter alia, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

### ***Valuation of shares***

There can be no guarantee that the Ordinary Shares will be able to achieve a valuation higher than the Issue Price, or, if they do so, that such higher valuations can be maintained.

### ***Risks relating to the Open Offer***

***Holders of Existing Ordinary Shares who do not acquire Open Offer Shares pursuant to the Open Offer will experience a further dilution of their percentage ownership of the Company's Ordinary Shares***

Shareholders' proportionate ownership and voting interest in the Company will be reduced pursuant to the Open Offer to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer. Non-Eligible Shareholders and, subject to certain exceptions, Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer.

***Pre-emptive rights may not be available for non-UK holders of Ordinary Shares***

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are entitled to pre-emption rights pursuant to the Articles unless such rights are waived by a special resolution of the Shareholders at a general meeting (as is the case in respect of the Open Offer Shares, pursuant to share authorities granted at the General Meeting held on 24 March 2017) and such an issue could dilute the interests of the then existing Shareholders. To the extent that pre-emptive rights apply in respect of future issues of Ordinary Shares by the Company for cash, holders of Ordinary Shares in Restricted Jurisdictions may not be able to exercise pre-emptive rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations or an exemption from the registration requirements thereunder is available.



## PART III

### SOME QUESTIONS AND ANSWERS ON THE OPEN OFFER

*The questions and answers set out in this Part III are intended to be in general terms only and, as such, you should read Part IV of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.*

*This Part III deals with general questions relating to the Open Offer and more specific questions relating principally to Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.*

**The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.**

#### **1. What is an open offer?**

An open offer is a way for companies to raise money. An open offer allows companies to give their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance, the fixed price for the Open Offer is at a discount to the market price of the existing ordinary shares prior to the announcement by the Company on 11 September 2017 regarding a Placing of new ordinary shares to specifically identified investors raising £330,000 in aggregate and which completed on 14 September 2017.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire, in aggregate, up to 6,153,846 Open Offer Shares at a price of 3.25 pence per Open Offer Share (being the same price at which the Placing was completed). If you hold Existing Ordinary Shares (provided you hold 9 or more such shares) on the Record Date or have a bona fide market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address in, or are located in, the United States or another Restricted Jurisdiction, you will be entitled to apply for Open Offer Shares under the Open Offer.

**The Open Offer is being made on the basis of 1 Open Offer Share for every 8.914 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.**

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Basic Entitlements. Qualifying Shareholders are also being given the opportunity, provided that they take up their Basic Open Offer Entitlements in full, to apply for additional Open Offer Shares through the Excess Application Facility.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), and the Open Offer Entitlements will not be tradable or listed, and applications in respect of the Open Offer**

may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim.

**2. Am I eligible to participate in the Placing?**

Unless you are a Placee, you will not be eligible to participate in the Placing.

**3. I hold my Existing Ordinary Shares in certificated form. How do I know if I am able to apply to acquire Open Offer Shares under the Open Offer?**

If you have received an Application Form and, subject to certain exceptions, are not a holder with a registered address in or located in the United States or another Restricted Jurisdiction, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you had not sold all of your Existing Ordinary Shares on or before 8.00 a.m. on 14 September 2017 (the Ex-entitlement Date for the Open Offer).

**4. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address in and are not located in the United States or another Restricted Jurisdiction, you should have been sent an Application Form.

That Application Form shows:

- how many Existing Ordinary Shares you held at close of business on the Record Date;
- how many Open Offer Shares are comprised in your Basic Entitlement; and
- how much you need to pay if you want to take up your right to subscribe for all your Basic Entitlement to the Open Offer Shares.

If you have a registered address or are located in the United States or, subject to certain exceptions, one of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of, all of or more than the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Please return the completed form in the reply-paid envelope provided with the Application Form along with a cheque or banker's draft for the number of Open Offer Shares you want to apply for and allow at least four Business Days for delivery if sent by first class post from within the United Kingdom. Please also see questions 5 and 11 for further help in completing the Application Form.

**5. I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Ordinary Shares in certificated form. What are my choices in relation to the Open Offer and what should I do with the Application Form?**

**5.1 If you want to take up all of your Basic Entitlement?**

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the completed Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 5 of your Application Form), payable to 'CIS (IRL) LTD RE: Stellar Diamonds Open Offer' by post, or by hand (during normal business hours only) to Computershare Investor Services (Ireland) Limited, Herron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 to arrive by no later than 11.00 a.m. on 2 October 2017. You should allow at least four Business Days for delivery. If you do take up your Open Offer Entitlement in full, your interest in the Company will be diluted by approximately 10.76 per cent. as a result of the Placing. Full instructions are set out in Part IV of this document and in the Application Form.

## **5.2 If you want to take up some but not all of your Basic Entitlement?**

If you want to take up some but not all of your Basic Entitlement, you should write the number of Open Offer Shares you want to take up in Box 2 of your Application Form; for example, if you are entitled to take up 1,000 shares but you only want to take up 500 shares, then you should write '500' in Box 2.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '500') by 3.25 pence, which is the price of each Open Offer Share (giving you an amount of £27.50 in this example). You should write this amount in Box 5, and this should be the amount your cheque or banker's draft is made out for. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to 'CIS (IRL) LTD RE: Stellar Diamonds Open Offer' and crossed "A/C payee only", by post, or by hand (during normal business hours only) to Computershare Investor Services (Ireland) Limited, Herron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, to arrive by no later than 11.00 a.m. on 2 October 2017, after which time the Application Form will not be valid. You should allow at least four Business Days for delivery.

Full instructions are set out in Part IV of this document and in the Application Form. A definitive share certificate will then be sent to you for the Open Offer Shares that you validly take up. Your definitive share certificate for such Open Offer Shares is expected to be despatched to you by no later than 13 October 2017.

## **5.3 If you want to apply for more than your Basic Entitlement?**

Provided that you have agreed to take up your Basic Entitlement in full, you can apply for further Excess Shares using the Excess Application Facility. You should write the number of Open Offer Shares you wish to take up in Box 2 which must be the number of Open Offer Shares shown in Box 7. You should then write the number of Excess Shares you wish to apply for under the Excess Application Facility in Box 3 and then complete Box 4 by adding together the numbers you have entered in Boxes 2 and 3.

To work out how much you need to pay for the Open Offer Shares you are applying for, you need to multiply the number of Open Offer Shares shown in Box 4 by the Issue Price, which is the price of each Open Offer Share. You should write this amount in Box 5, rounding down to the nearest whole penny. You should then return your Application Form together with your cheque or banker's draft for that amount payable to 'CIS (IRL) LTD RE: Stellar Diamonds Open Offer' and crossed "A/C payee only", by post to Computershare Investor Services (Ireland) Limited, Herron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, to arrive by no later than 11.00 a.m. on 2 October 2017, after which time the Application Form will not be valid.

You should allow at least four Business Days for delivery. Full instructions are set out in the Application Form. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event, Qualifying Shareholders will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the applicant's sole risk.

## **5.4 If you do not want to take up your Open Offer Entitlement**

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. The Open Offer Shares you could have taken up will not be issued by the Company to you or for your benefit. You cannot sell your Application Form or your Open Offer Entitlement to anyone else.

If you are not a Placee and you do not take up any of your Open Offer Entitlement, then following the Placing and Open Offer, your interest in the Company will be diluted by approximately 10.76 per cent.

**6. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST Members should follow the instructions set out in Part IV of this document. Persons who hold Existing Ordinary Shares through a CREST Member should be informed by such CREST Member of the number of Open Offer Shares they are entitled to apply for under their Open Offer Entitlement and should contact their CREST Member should they not receive this information.

**7. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- i. Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 14 September 2017 and who have converted them to certificated form;
- ii. Qualifying non-CREST Shareholders who bought Existing Ordinary Shares before 14 September 2017 but were not registered as the holders of those shares at the close of business on 14 September 2017; and
- iii. certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact Computershare Investor Services on 01 247 5693 from within the UK or +353 01 247 5693 if calling from outside the UK. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

**8. If I buy Existing Ordinary Shares after the Record Date will I be eligible to participate in the Open Offer?**

If you buy or have bought Existing Ordinary Shares after the Record Date you are unlikely to be able to participate in the Open Offer in respect of those Existing Ordinary Shares.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

**9. What if I change my mind?**

If you are a Qualifying non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares you have applied for, except in the very limited circumstances which are set out in paragraph 3 of Part IV of this document.

**10. What if the number of Open Offer Shares to which I am entitled is not a whole number? Am I entitled to fractions of Open Offer Shares?**

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of each Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number.

**11. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 8 of the Application Form?**

If you want to spend more than the amount set out in Box 8 you should divide the amount you want to spend by 3.25 pence (being the price in pence of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares for which you should apply. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £500 you should divide £500 by 3.25 pence, which comes to 9,090.90. You should round that down to 9,090 to give you the number of Open Offer Shares for which, in this example, you can apply without exceeding your chosen amount. Write the total number of Open Offer Shares (in this example 9,090) in Box 4. To get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (9,090) by 3.25 pence and then fill in that amount rounded down to the nearest whole penny (in this example being £500), in Box 5 and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If applications are received for more than the available number of Open Offer Shares, applications made under the Excess Application Facility will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders. Assuming that there are no Overseas Shareholders who have registered addresses in, or are residents in or citizens of a Restricted Jurisdiction, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, them multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

If you want to spend less than the amount set out in Box 8, you should divide the amount you want to spend by 3.25 pence (being the price, in pence, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 you should divide £100 by 3.25 pence. You should round that down to the nearest whole number (in this example, 1,818), to give you the number of shares you want to take up. Write that number (in this example, 1,818) in Box 2. Then to get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example, 1,818) by 3.25 pence and then fill in that amount rounded down to the nearest whole penny (in this example being £100 in Box 5 and on your cheque or banker's draft accordingly).

**12. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold Existing Ordinary Shares directly and you sold some or all of your Existing Ordinary Shares before or on 14 September 2017, you should contact the buyer or the person/ company through whom you sold your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sold any of your Existing Ordinary Shares on or after 15 September 2017, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**13. I hold my Existing Ordinary Shares in certificated form. How do I pay?**

You should return your Application Form with a cheque or banker's draft drawn in pounds sterling on a bank or building society account in the UK in the reply-paid envelope enclosed (from within the United Kingdom). You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. Cheques should be drawn on a sole or joint personal account of the Qualifying Shareholder who is applying for the Open Offer Shares. The funds should be made payable to 'CIS (IRL) LTD RE: Stellar Diamonds Open Offer'. In each case, the cheque should be crossed "A/C Payee only". Payments via

CHAPS, BACS or electronic transfer will not be accepted. Third party cheques may not be accepted with the exception of banker's drafts or building society cheques where the bank or building society has confirmed the name of the account holder (which must be the same name as appears on page 1 of the Application Form) on the back of the draft or cheque and have added their branch stamp.

**14. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced (in addition to the reduction caused by the Placing).

**15. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form and monies by post or by hand (during normal business hours only) to Computershare Investor Services (Ireland) Limited Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18. You should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**16. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?**

The Receiving Agent must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 2 October 2017. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope included with the Application Form, within the United Kingdom.

**17. I hold my Existing Ordinary Shares in certificated form. If I take up my entitlements, when will I receive the certificate representing my Open Offer Shares?**

It is expected that the Registrars will post all Open Offer Share certificates by 13 October 2017.

**18. What should I do if I think my holding of Existing Ordinary Shares (as shown in Box 6 of the Application Form) is incorrect?**

If you bought or sold Existing Ordinary Shares shortly before the Record Date, your transaction may not have been entered on the register of members before the Record Date for the Open Offer. If you bought Existing Ordinary Shares before 14 September 2017 but were not registered as the holder of those shares on the Record Date for the Open Offer (14 September 2017), you may still be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to Open Offer Entitlements in respect of any Existing Ordinary Shares acquired on or after 15 September 2017.

**19. Will the Open Offer affect dividends (if any) on the Existing Ordinary Shares?**

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

**20. Will I be taxed if I take up my entitlements?**

Shareholders who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction are strongly recommended to consult their own professional advisers.

**21. What should I do if I live outside the United Kingdom?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders

with registered addresses or who are located in the United States or another Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV of this document.

**22. How do I transfer my entitlements into the CREST system?**

If you are a Qualifying non-CREST Shareholder, but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (Box 13 on page 4 of the Application Form), and ensure they are delivered to CCSS to be received by 11 a.m. on 2 October 2017 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this. If you have transferred your rights into the CREST system, you should refer to paragraph 3 of Part IV of this document for details on how to apply and pay for the Open Offer Shares.

**23. Do I need to comply with the Money Laundering Regulations (as set out in paragraph 4 of Part IV of this document)?**

If you are a Qualifying non-CREST Shareholder, you may not need to follow these procedures if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Entitlements as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution. Qualifying non-CREST Shareholders and Qualifying CREST Shareholders should refer to paragraph 4 of Part IV of this document for a fuller description of the requirements of the Money Laundering Regulations.

## **PART IV**

### **DETAILS OF THE OPEN OFFER**

#### **1. Introduction**

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price pro rata to their existing holdings. Qualifying Shareholders will be able to apply for their Basic Entitlements. Qualifying Shareholders will also be entitled, provided they have taken up their Basic Entitlements in full, to apply under the Excess Application Facility.

The Placing Shares are not being offered to Qualifying Shareholders and do not form part of the Open Offer.

The Issue Price of the Open Offer Shares is the same as for the Placing Shares and represents a discount of 29.8 per cent. to the closing price of 4.63 pence per Existing Ordinary Share on 8 September August 2016 (being the day prior to announcement of the Placing and initial announcement regarding the Open Offer at the Issue Price).

A summary of the arrangements relating to the Open Offer is set out below. This document and, where relevant, the Application Form contains the formal terms and conditions of the Open Offer.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 2 October 2017. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your Basic Entitlements under the Open Offer or have Basic Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are further set out below in this Part IV.

#### **2. The Open Offer**

The Company hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out herein and in the Application Form (in respect of shares held in certificated form) and subject to the articles of association of the Company, for Open Offer Shares at the Issue Price, free from all expenses, payable in cash in full on application.

Subject to fulfilment of the conditions set out below and (in respect of Ordinary Shares held in certificated form) in the Application Form, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares at the Issue Price payable in full on application and free of all expenses, pro rata to their existing shareholdings, on the basis of:

##### **1 Open Offer Share for every 8.914 Existing Ordinary Shares**

held at the Record Date. Basic Entitlements and where relevant, Excess Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractions of Open Offer Shares will not be allotted, each Qualifying Shareholder's entitlement being rounded down to the nearest whole number.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum basic entitlement which, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Basic Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST and, if they so wish, may apply for Open Offer Shares in excess of their Basic Entitlements pursuant to the Excess Application Facility.

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Basic Entitlements in full, to apply for Excess Entitlements such that to the extent that if a Qualifying Shareholder has taken up its Basic Entitlement in full and applies for and is allocated the maximum Excess Entitlement it will suffer no dilution as a result of the Placing and Open Offer. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlements should complete the relevant sections on the



Application Form. Qualifying CREST Shareholders will have Excess Entitlements credited to their stock account in CREST and should refer to paragraph 3(ii) of this Part IV for information on how to apply for Open Offer Shares pursuant to the Excess Application Facility.

Applications for Excess Entitlements will be satisfied only to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Basic Entitlements. Once subscriptions by Qualifying Shareholders under their respective Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any applications for Excess Entitlements in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Any monies paid for applications in excess of their Basic Entitlements which are not so satisfied will be returned to the Applicant (at the Applicant's risk) without interest within 14 days by way of cheque or CREST payment, as appropriate. The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Basic Entitlements credited to your stock account in CREST in respect of such entitlement.

Not all Shareholders will be Qualifying Shareholders. Overseas Shareholders who are located in, or who are citizens of, or have a registered address in certain overseas jurisdictions (including, without limitation, any Restricted Jurisdiction) will not qualify to participate in the Open Offer. The attention of Overseas Shareholders or any person (including without limitation a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom is drawn to paragraph 6 of this Part IV.

If you have received an Application Form, please refer to paragraphs 3(i) and 4(i) of this Part IV.

If you hold your Ordinary Shares in CREST and have received a credit of Basic Entitlements and Excess Entitlements to your CREST stock account, please refer to paragraphs 3(ii) and 4(ii) of this Part IV and also to the CREST Manual for further information on the CREST procedures referred to below.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission of the Open Offer Shares will become effective and that dealings for normal settlement in the Open Offer Shares on AIM will commence at 8.00 a.m. on 3 October 2017.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares; all of such shares, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Basic Entitlements and Excess Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Basic Entitlements and Excess Entitlements will be admitted to CREST at 8.00 a.m. on 3 October 2017. Such Basic Entitlements and Excess Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 18 September 2017. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Qualifying Non-CREST Shareholders will have received an Application Form which sets out their entitlement to Open Offer Shares as shown by the number of Basic Entitlements allocated to them. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements on 3 October 2017.

The Open Offer Shares will be issued fully paid and will be identical to, and rank *pari passu* in all respects with, the Existing Ordinary Shares and will rank *pari passu* for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued.

The Basic Entitlements and any Excess Entitlements of Qualifying CREST Shareholders will be registered in uncertificated form and credited to their stock account in CREST. The Basic Entitlements and any Excess Entitlements of Qualifying Non-CREST Shareholders will be registered in certificated form and sent to Qualifying Non-CREST Shareholders. The action to be taken in relation to the Open Offer is described in paragraph 3 below.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 3 October 2017 (or such time and date being no later than 8.00 a.m. on 13 October 2017, as the Company may decide):

- Admission becoming effective by 8.00 a.m. on 3 October 2017 (or such later time or date not being later than 8.00 a.m. on 13 October as the Company may decide);

It is expected that Admission will occur and dealings in the Open Offer Shares will commence at 8.00 a.m. on 3 October 2017.

If the conditions are not fulfilled on or before 8.00 a.m. on 3 October 2017 (or such later date, time and being no later than 8.00 a.m. on 13 October 2017, as the Company may decide) application monies are expected to be returned without interest by crossed cheque in favour of the Applicant(s) (at the Applicant's risk) by post for Qualifying non-CREST Shareholders and through CREST for Qualifying CREST Shareholders as soon as practicable after that date and any Basic Entitlements or Excess Entitlements admitted to CREST will be disabled.

The Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Qualifying CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's claims processing unit.

Completed Application Forms (in respect of shares held in certificated form), accompanied by full payment, should be returned by post to Computershare Investor Services (Ireland) Limited, or by hand (between 9:00am to 5:00pm Monday to Friday) to Computershare Investor Services (Ireland) Limited Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 2 October 2017.

The Open Offer Shares will represent approximately 10.35 per cent. of the Enlarged Ordinary Share Capital.

Further terms of the Open Offer are set out in this Part IV and, where relevant, in the Application Form.

Before making any decision to acquire Open Offer Shares, you are asked to read and carefully consider all of the information in this document, including in particular the important information set out in the letter from the Chairman in Part 1 of this document, as well as this Part IV.

### **3. Procedure for Application and Payment**

Save as provided in paragraph 6 of this Part IV in relation to Overseas Shareholders, the action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer, including the Excess Application Facility, or you have Basic Entitlements and Excess Entitlements credited to your CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form on the Record Date and who take up Open Offer Shares under their entitlement will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding

Existing Ordinary Shares in uncertificated form. Further information on deposit into CREST is set out in this paragraph.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of their Basic Entitlements and Excess Entitlements of such members held in CREST. CREST Members who wish to apply under the Open Offer in respect of their Basic Entitlements and Excess Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service operated by the London Stock Exchange giving details of the revised dates.

**(i) Qualifying non-CREST Shareholders (Shareholders who hold share certificates and receive an Application Form in respect of their Open Offer Entitlement)**

**(a) General**

Subject to the provisions set out in this Part IV in relation to the Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in the relevant Qualifying Non-CREST Shareholder's name at close of business on the Record Date.

It also shows the number of Open Offer Shares for which such relevant Qualifying Non-CREST Shareholder is entitled to apply under the Open Offer, calculated on the basis set out in paragraph 2 of this Part IV, above. Qualifying Non-CREST Shareholders may also apply for less than their maximum Basic Entitlements.

**The instructions and other terms set out in the Application Form constitute part of the terms of the Open Offer.**

The Excess Application Facility enables Qualifying Shareholders who have taken up their full Basic Entitlements to apply for additional Open Offer Shares in excess of their Basic Entitlements such that, to the extent that if a Qualifying Shareholder has taken up its Basic Entitlement in full and applies for and is allocated the maximum Excess Entitlement it will suffer no dilution as a result of the Open Offer and Placing. Applications in excess of the Basic Entitlements will only be satisfied to the extent that applications made by other Qualifying Shareholders are less than their full Basic Entitlements and may therefore be scaled down at the Company's sole discretion.

The instructions and other terms which are set out in the Application Form constitute part of the terms of the Open Offer.

**(b) Market Claims**

Applications for Open Offer Shares (including under the Excess Application Facility) may only be made on the Application Form which is personal to the Qualifying Non-CREST Shareholders(s) named thereon and may not be assigned, transferred or split except in the circumstances described below. The Application Form represents the right to apply for Open Offer Shares and is not a document of title and cannot be separately traded. It is transferable only to satisfy legitimate market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Existing Ordinary Shares being marked "ex" the entitlement to the Open Offer. Applications may be split or consolidated only to satisfy legitimate market claims up to 3.00 p.m. on 28 September 2017.

Qualifying Non-CREST Shareholders may also apply for Excess Entitlements in excess of their Basic Entitlement to Open Offer Shares by completing Boxes 3 and 4 of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their Basic Entitlement) and submitting the amount payable on such application. Further details of the Excess Application Facility are set out in paragraph 3(c) of this Part IV.

Any Qualifying Non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer, should consult his stockbroker or other professional adviser as soon as possible since the invitation to acquire Open Offer Shares under the Open Offer may represent a benefit which can be claimed from him by the purchaser or transferee under the rules of the London Stock Exchange. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the purchaser or transferee or the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the United States of America, Australia, Canada, South Africa, New Zealand or Japan. Applications for Open Offer Shares (including under the Excess Application Facility) may only be made on the Application Form and may only be made by the Qualifying Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a purchase of existing Ordinary Shares through the market prior to the date upon which the existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by AIM, being 14 September 2017. Application Forms may be split up to 3.00 p.m. on 28 September 2017.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3(ii) below.

A Qualifying Non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form to Computershare.

*(c) Application Procedures*

Applications for Open Offer Shares (including under the Excess Application Facility) by Qualifying Non-CREST Shareholders may only be made on the Application Form, which is personal to the Qualifying Non-CREST Shareholder(s) named on it and is not capable of being split, assigned or transferred except in the circumstances described below.

Qualifying Non-CREST Shareholders may also apply for Open Offer Shares in excess of their Basic Entitlement to Open Offer Shares up to the maximum amount of their Excess Entitlements by completing Boxes 3 and 4 of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their Basic Entitlement) and submitting the amount payable on such application. Further details on the Excess Application Facility are set out in paragraph 3(ii)(j) of this Part IV.

A Qualifying Non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form to Computershare.

If you are a Qualifying Non-CREST Shareholder and wish to apply for all or some of your entitlement to Open Offer Shares under the Open Offer (including any application for any Excess Entitlements under the Excess Application Facility) you should complete and sign the Application Form in accordance with the instructions on it and send it by post or deliver it by hand (during normal business hours only) with the appropriate remittance, to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland so as to arrive no later than 11.00 a.m. on 2 October 2017. A reply paid envelope is enclosed for use by Qualifying Non-CREST Shareholders in connection with the Open Offer. Your Application Form will not be valid unless you sign it.

The Application Form represents a right personal to the Qualifying Non-CREST Shareholders to apply to subscribe for Open Offer Shares (including under the Excess Application Facility); it is not a document of title and it cannot be traded. It is assignable or transferable only to satisfy bona fide market claims in relation to purchases in the market pursuant to the rules and regulations of the London Stock Exchange.

Application Forms may be split up to 3.00 p.m. on 28 September 2017 but only to satisfy such bona fide market claims. Qualifying Non-CREST Shareholders who have before the ex entitlement date sold or

transferred all or part of their shareholdings are advised to consult their stockbroker, bank or agent through whom the sale or transfer was effected or another professional adviser authorised under the FSMA as soon as possible, since the invitation to apply for Open Offer Shares (including under the Excess Application Facility) may represent a benefit which can be claimed from them by the purchaser(s) or transferee(s) under the rules of the London Stock Exchange.

Qualifying Non-CREST Shareholders who submit a valid application using the Application Form and accompanying payment will (subject to the terms and conditions set out in this Part IV, in the letter from the Chairman of the Company in Part I, in the Application Form and in the articles of association of the Company) be allocated the Open Offer Shares applied for in full at the Issue Price (subject to the Company's discretion to accept, reject or scale back any application for any Open Offer Shares).

Applications will be irrevocable and, once submitted, may not be withdrawn and their receipt will not be acknowledged. The Company reserves the right to treat any application not strictly complying with the terms and conditions of the application as nevertheless valid.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or a duly endorsed banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall arrange (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Computershare, the Company or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders.

Please note that Computershare cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement(s) to Open Offer Shares under the Open Offer. If any Application Form is sent by first class post within the United Kingdom, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery. The Company may in its absolute discretion elect to accept Application Forms and remittances after 11.00 a.m. on 2 October 2017. The Company may also (in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

**The Company also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 2 October 2017 from an authorised person (as defined in FSMA) specifying the number of Open Offer Shares concerned, and undertaking to lodge the relevant Application Form in due course.**

*(d) Payments*

All payments must be in pounds sterling and cheques or duly endorsed banker's drafts should be made payable to "CIS (IRL) LTD RE: Stellar Diamonds Open Offer" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques may not be accepted except building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the back of the building society cheque or bankers' draft on the reverse to such effect.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Computershare to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Application monies will be paid into a separate non-interest bearing bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 3 October 2017 or such later time and date as the Company may decide (being no later than 13 October 2017), the Open Offer will lapse and application monies will be returned by post to Applicant(s), at the Applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter.

The Company shall as soon as possible after 5 October 2017 refund any payment received with respect to an application for a number of Open Offer Shares in respect of a Basic Entitlement which has been rejected in whole or in part by the Company.

*(e) Effect of Application*

All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk. By completing and delivering an Application Form, you (as the Applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm to the Company and Peterhouse that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation not so contained and that having had the opportunity to read this document you will be deemed to have notice of all the information concerning the Group and the Ordinary Shares contained within this document;
- (iii) represent and warrant to the Company and Peterhouse that if you have received some or all of your Basic Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Basic Entitlements by virtue of a bona fide market claim;
- (iv) represent and warrant to the Company and Peterhouse that you are not a citizen or resident of a Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and are not applying on behalf of, or with a view to the re-offer, re-sale or delivery of Open Offer Shares directly or indirectly in, into or within a Restricted Jurisdiction or to a resident of a Restricted Jurisdiction or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery;
- (v) represent and warrant to the Company and Peterhouse that you are not otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of such person(s) on a non-discretionary basis;
- (vi) represent and warrant to the Company and Peterhouse as follows: (i) you have not received the Application Form or any other document relating to the Open Offer in a Restricted Jurisdiction, nor have you mailed, transmitted or otherwise distributed or forwarded any such document in or into a Restricted Jurisdiction; (ii) you are not and were not located in a Restricted Jurisdiction at the time you accepted the Application Form or at the time you returned the Application Form; (iii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (A) you have full investment discretion with respect to the Open Offer Shares covered by the Application Form or (B)

the person on whose behalf you are acting was located outside a Restricted Jurisdiction at the time he or she instructed you to submit the Application Form;

- (vii) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this document and the Application Form, subject to the articles of association of the Company;
- (viii) confirm that in making the application you are not relying on and have not relied on the Company or Peterhouse or any person affiliated with the Company or Peterhouse in connection with any investigation of the accuracy of any information contained in this document or your investment decision;
- (ix) represent and warrant to the Company and Peterhouse that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (x) represent and warrant to the Company and Peterhouse that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (xi) acknowledge that the Existing Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the "Exchange Information"), and that you are able to obtain or access the Exchange Information without undue difficulty. None of the Company, Peterhouse, nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in this document, the Application Form or any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person; and
- (xii) represent and warrant to the Company and Peterhouse that the purchase by you of Open Offer Shares does not trigger in the jurisdiction in which you are resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.

If you are unable to provide such representations and warranties you will be deemed not to have validly submitted an application for Open Offer Shares, save in the discretion of the Company and subject to certain conditions.

You should note that applications will be irrevocable. The Company reserves the right (but shall not be obliged) to treat any application not strictly complying in all respects with the terms and conditions of application as nevertheless valid.

**If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form.**

If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. For all enquiries in relation to the procedure for application for Qualifying Non-CREST Shareholders under the Open Offer please contact Computershare on 01 247 5693 or +353 01 247 5693. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare cannot comment on the merits of the Open Offer or provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

*(f) The Excess Application Facility*

The Excess Application Facility enables Qualifying Shareholders who have taken up their Basic Entitlements in full to apply for additional Open Offer Shares to the extent that if a Qualifying Shareholder has taken up its Basic Entitlement in full and applies for and is allocated the maximum Excess Entitlement it will suffer no dilution as a result of the Open Offer and Placing.

Applications for Excess Entitlements will be satisfied only to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Basic Entitlements. Once applications by Qualifying Shareholders for their Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any applications for Excess Entitlements in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all. Qualifying Non-CREST Shareholders who wish to apply for additional Open Offer Shares in excess of their Basic Entitlements must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed the Open Offer Shares being made available to Qualifying Shareholders as a result of applications made in respect of the Excess Application Facility, resulting in a scaling back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Open Offer Shares under the Excess Application Facility and from whom payment in full for such Open Offer Shares has been received in cleared funds will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for under the Excess Application Facility but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk. Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

**(ii) If you have Basic Entitlements and Excess Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

**(a) General**

Subject as provided in paragraph 6 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Basic Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer. Qualifying CREST Shareholders may also apply for Open Offer Shares in excess of their Basic Entitlement under the Excess Application Facility. Further details of the Excess Application Facility can be found in paragraph 3 (ii) (j) of this Part IV.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements and Excess Entitlements have been allocated.

If for any reason the Basic Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 3.00 p.m. on 27 September 2017 or such later



time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess Entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

Qualifying CREST Shareholders who wish to apply for some or all of their entitlements to Open Offer Shares (including any applications for Excess Entitlements) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you have any questions relating to the procedure for acceptance, please contact Computershare Investor Services on 01 247 5693 or +353 01 247 5693. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare cannot comment on the merits of the Open Offer or provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If you are a CREST sponsored member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares (including any applications for Excess Entitlements) as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

*(b) Market claims*

The Basic Entitlements and Excess Entitlements will have separate ISIN/SEDOL numbers and will constitute separate securities for the purposes of CREST. Although Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess Entitlement(s) will thereafter be transferred accordingly.

*(c) USE Instructions*

Qualifying CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Basic Entitlements and Excess Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST Sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Computershare under the participant ID and member account ID specified below, with a number of Basic Entitlements or Excess Entitlements corresponding to the number of Open Offer Shares or Excess Entitlements applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Computershare Investor Services in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares or Excess Entitlements referred to in (i) above.

*(d) Content of USE Instructions in respect of Basic Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to Computershare as receiving agent);
- (ii) the ISIN of the Basic Entitlement. This is GB00BF2PDH52;
- (iii) the CREST participant ID of the accepting CREST Member;

- (iv) the CREST Member account ID of the accepting CREST Member from which the Basic Entitlements are to be debited;
- (v) the participant ID of Computershare Investor Services (Ireland) Limited, in its capacity as a CREST receiving agent. This is RA85;
- (vi) the member account ID of Computershare, in its capacity as CREST receiving agent. This is STELLS17;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11:00 a.m. on 2 October 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 2 October 2017.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 90.

CREST Members and, in the case of CREST sponsored members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 2 October 2017 in order to be valid is 11.00 a.m. on that day.

*(e) Content of USE Instructions in respect of Excess Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of Excess Entitlement(s) being delivered to Computershare) not exceeding the maximum amount of the Excess Entitlement;
- (ii) the ISIN of the Excess Entitlement. This is GB00BF2PDK81;
- (iii) the CREST participant ID of the accepting CREST Member;
- (iv) the CREST Member account ID of the accepting CREST Member from which the Excess Entitlements are to be debited;
- (v) the Participant ID of Computershare Investor Services (Ireland) Limited in its capacity as a CREST receiving agent, which is RA85;
- (vi) the CREST Member account ID of Computershare in its capacity as CREST receiving agent, which is STELLS17; the amount payable by means of a CREST payment on settlement of the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (vii) the intended settlement date, which must be before 11.00 a.m. on 2 October 2017; and
- (viii) the Corporate Action Number for the Open Offer, which will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 2 October 2017.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) should add the following non-mandatory fields to their USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 90.

CREST Members and, in the case of CREST sponsored members, their CREST Sponsors, should note that the last time at which a USE instruction may settle in order to be valid is 11.00 a.m. on 2 October 2017. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess Entitlement security.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 3 October 2017, or such later time and date as the Company may decide (being no later than 13 October 2017), the Open Offer will lapse, the Basic Entitlements and Excess Entitlements admitted to CREST will be disabled and Computershare Investor Services will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The Open Offer cannot be revoked once all conditions have been satisfied.

*(f) Deposit of Basic Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Basic Entitlements and Excess Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and Excess Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 3.00 p.m. on 27 September 2017.

In particular, having regard to normal processing times in CREST and on the part of Computershare, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements in CREST, is 3.00 p.m. on 27 September 2017, and the recommended latest time for receipt by Euroclear UK & Ireland of a dematerialised instruction requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST is 4.30 p.m. on 26 September 2017, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements and Excess Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements and Excess Entitlements prior to 11.00 a.m. on 2 October 2017.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company by the relevant CREST Member(s) that it/they is/are not in breach of the provisions of the warranties and representations on page 2 of the Application Form, and a declaration to the Company from the relevant CREST Member(s) that it/they is/are not citizen(s) or resident(s) of any of the Restricted Jurisdictions and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

*(g) Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 2 October 2017 will constitute a valid application under the Open Offer.

*(h) CREST Procedures and Timings*

CREST Members and (where applicable) their CREST Sponsors should note that Euroclear UK & Ireland does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST sponsored member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 2 October 2017. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

*(i) Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Computershare reserves the right:

- (i) to reject the application in full and refund the payment to the CREST Member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares and/or Excess Entitlements as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST Member in question (without interest).

*(j) The Excess Application Facility*

Provided that a Qualifying CREST Shareholder chooses to take up their Basic Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for additional Open Offer Shares in excess of their Basic Entitlements such that to the extent that if a Qualifying Shareholder has taken up its Basic Entitlement in full and applies for and is allocated the maximum Excess Entitlement it will suffer no dilution as a result of the Open Offer and Placing. Any such applications will be granted at the absolute discretion of the Company.

Applications for Excess Entitlements will be satisfied only to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Basic Entitlements. Once subscriptions by Qualifying Shareholders under their respective Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

An Excess Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part IV in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Entitlement in order for any applications for Excess Entitlements to be settled through CREST. The credit of such Excess Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess Entitlement as an Excess

Entitlement is subject to scaling back at the Company's absolute discretion in accordance with the provisions of this document.

To apply for Excess Entitlements pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Basic Entitlement and the relevant Basic Entitlement(s) be transferred, the Excess Entitlements will not transfer with the Basic Entitlement(s) claim, but will be transferred as a separate claim.

Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more bona fide market claims, the Excess Entitlement credited to CREST, and allocated to the relevant Qualifying Shareholder, will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed the number of Open Offer Shares being made available, resulting in a scaling back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Open Offer Shares under the Excess Application Facility, and from whom payment in full for the Excess Entitlement has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest, and at the Applicant's sole risk.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

#### (k) Effect of Valid Application

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Computershare's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);
- (ii) confirm to the Company and Peterhouse that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation not so contained and that having had the opportunity to read this document you will be deemed to have notice of all the information concerning the Group contained within this document;
- (iii) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the articles of association of the Company;
- (iv) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (v) represent and warrant to the Company and Peterhouse that he is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or

resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (vi) represent and warrant to the Company and Peterhouse that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (vii) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in publicly available information and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agrees that he will be deemed to have had notice of all the information concerning the Group contained within this document;
- (viii) represent and warrant to the Company and Peterhouse that he is the Qualifying Shareholder originally entitled to the Basic Entitlements or that he has received such Basic Entitlements and Excess Entitlements by virtue of a bona fide market claim;
- (ix) represent and warrant to the Company and Peterhouse that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (x) confirm that in making the application he is not relying on and have not relied on the Company, Peterhouse or any person affiliated with the Company or Peterhouse in connection with any investigation of the accuracy of any information contained in this document or your investment decision;
- (xi) acknowledge that the Existing Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the "Exchange Information"), and that you are able to obtain or access the Exchange Information without undue difficulty. None of the Company, Peterhouse nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person; and
- (xii) warrant and represent to the Company and Peterhouse that the purchase by him of Open Offer Shares does not trigger in the jurisdiction in which you are resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.

*(l) Company's discretion as to Rejection and Validity of Applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST Member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Computershare have received actual notice from CREST of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST Member or CREST sponsored member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST sponsored member or (where applicable) CREST Sponsor, the CREST Member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Registrar in connection with CREST.

*(m) Issue of Open Offer Shares in CREST*

Basic Entitlements and Excess Entitlements held in CREST are expected to be disabled in all respects after 10.00 a.m. on 4 October 2017. If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day Computershare will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of such persons with such persons' Basic Entitlements with effect from the next Business Day. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

**4. Money Laundering Regulations**

*(i) Holders of Application Forms*

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993, Part 5III of the Financial Services and Markets Act 2000 and the Proceeds of Crime Act 2002 (together with the provisions of the Money Laundering Sourcebook of the FCA and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms) (together, the "Regulations"), that Computershare Agent may, in its absolute discretion, require verification of your identity to the extent that you have not already provided the same. Pending the provision to Computershare of evidence of your identity, definitive certificates in respect of Open Offer Shares may be retained at its absolute discretion.

If within a reasonable time after a request for verification of identity but in any event by 11.00 a.m. on 2 October 2017, Computershare has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant application, in which event the monies payable on acceptance of the application will, if paid, be returned without interest and net of bank charges at the Applicant's Risk by cheque to the Applicant(s) to the account of the drawee bank or building society from which sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). In order to avoid this, payment should be made by means of a cheque drawn by and in the name of the Applicant named on the accompanying Application Form or (where an Application Form has been transferred and/or split to satisfy bona fide market claims in relation to transfers of Existing Ordinary Shares through the market prior to 3.00 p.m. on 28 September 2017), by the person(s) named in Box 1 on the Application Form. If this is not practicable and the Applicant uses a cheque drawn on a building society or a banker's draft, the Applicant should:

- (i) ask the building society or bank to endorse the back of the cheque or draft the name and account number of the person whose building society or bank account is being debited which must be the same name as that printed on the Application Form, such endorsement being validated by a stamp and authorised signature by the building society or bank on the reverse of the cheque or banker's draft;
- (ii) if the Applicant is making the application as agent for one or more persons, indicate on the Application Form whether it is a United Kingdom or European Union regulated person or institution (e.g. a bank or broker), and specify its status. If you have any questions relating to the procedure for acceptance, please contact Computershare on 01 247 5693 or +353 01 247 5693. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes;
- (iii) if the Applicant delivers the Application Form by hand, bring with them the appropriate photographic evidence of identity, such as a passport or driving licence; and
- (iv) third party cheques may be accepted unless covered by (i) above.

In any event, if it appears to Computershare that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting will be required.

The verification of identity requirements will not usually apply:

1. if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing);
2. if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
3. if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the applicant's name;

In other cases the verification of identity requirements may apply.

For applications over £12,500 (being the approximate equivalent to 15,000 Euros), Qualifying non-CREST Shareholders are also requested to submit with the Application Form as documentary evidence of identity and address one certified copy document from each of the following lists (as appropriate):

Personal identity documents (UK resident individuals)

- current signed passport;



- Northern Ireland Voter's Card;
- current full UK driving licence;
- benefits book or original notification letter from the Benefits Agency confirming the right to benefit; or
- HM Revenue & Customs tax notifications e.g. tax assessment, statement of account or notice of coding.

Evidence of address (UK resident individuals)

- recent utility bill or utility statement (mobile telephone bills are not acceptable);
- local authority tax bill (current year);
- current UK driving licence (if not used for evidence of name);
- benefits book or original notification letter from the Benefits Agency confirming the right to benefit (provided one or other has not been used as evidence of personal identity); or
- HM Revenue & Customs correspondence addressed to you at stated address (provided HM Revenue & Customs notifications have not been used as evidence of personal identity). If you are a corporation, please supply:
  - a certified copy of your articles of association or statutes or published accounts or certificate of incorporation or trade register entry or certificate of trade;
  - the names, addresses and specimen signatures of all directors; and
  - evidence of identity and address as stated above for each director.

All certified documents must be certified by a professional person such as a lawyer or attorney, notary or an official entity such as an embassy, consulate or high commission of the country of issue.

Neither Computershare nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification. By lodging an Application Form, each Qualifying Shareholder undertakes to provide evidence of his identity at the time of lodging the Application Form, or, at the absolute discretion of the Company, at such specified time thereafter as may be required to ensure compliance with the Regulations.

*(ii) Basic Entitlements and Excess Entitlements in CREST*

If you hold your Basic Entitlements or Excess Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements (and Excess Entitlements) as agent for one or more persons and you are not a United Kingdom or European Union regulated person or institution (e.g. a United Kingdom financial institution), then, irrespective of the value of the application, Computershare is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Computershare before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to the Company, Peterhouse and Computershare such information as may be specified by Computershare as being required for the purposes of the Regulations. Pending the provision of evidence satisfactory to Computershare as to identity, Computershare may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of any failure to provide satisfactory evidence.

## 5. Taxation and Stamp Duty

If you are in any doubt as to your tax position you should consult your professional adviser without delay.

## 6. Overseas Shareholders

In respect of persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom the Open Offer may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. It is the responsibility of each Overseas Shareholder to satisfy himself/herself as to the full observance of the laws of any relevant jurisdiction in connection with the Open. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him/her or such Application Form could lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

In particular, the Open Offer Shares have not been registered under the United States Securities Act of 1933 (as amended) or the relevant securities legislation in Australia, Canada, South Africa, New Zealand or Japan and therefore the Open Offer Shares may not be offered, sold, transferred or delivered directly or indirectly in the United States of America, Australia, Canada, South Africa, New Zealand or Japan or their respective territories and possessions. No application form will be accepted from, any Shareholder who is unable to give the warranty set out in the Application Form or who the Company or its agent has reason to believe is ineligible to apply.

**It is the responsibility of any person receiving a copy of this document or an Application Form and wishing to make an application to subscribe for the Open Offer Shares to satisfy himself/herself as to the full observance of the laws and regulatory requirements of any relevant territory, including the obtaining of all necessary governmental or other consents which may be required or observing any other formalities needing to be observed in such territory and the payment of any taxes due in such jurisdiction.**

None of the Company, Peterhouse, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The Company, Computershare and Peterhouse reserve the right to treat as invalid any application, or purported application, to subscribe for Open Offer Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation of any jurisdiction or which does not include the warranties set out in the Application Form. Completion of an Application Form shall constitute a warranty that the Shareholder is eligible to apply.

## 7. Admission, Settlement and Dealings

### ***Open Offer Shares***

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Open Offer becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the Open Offer Shares will commence at 8.00 a.m. on 3 October 2017.

Basic Entitlements and Excess Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 2 October 2017 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application

procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 3 October 2017). On this day, Computershare will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 3 October 2017). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be dispatched by post by 13 October 2017. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register. All documents or remittances sent by or to Applicants or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to the Application Form.

#### **8. Dilution**

The Existing Ordinary will (assuming all of the Open Offer Shares are issued) be increased approximately 1.11 times as a result of the issue of Open Offer Shares. Those Shareholders who do not take up their Basic Entitlements or Excess Entitlements will suffer a reduction of approximately 10 per cent. in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by their holding of Ordinary Shares immediately following Admission.

## PART V

### DEFINITIONS

The following words and expressions shall have the following meanings in the document, unless the context otherwise requires:

<b>“Act”</b>	the UK Companies Act 2006, as amended;
<b>“Admission”</b>	admission of the Open Offer Shares (to the extent subscribed for pursuant to the Open Offer) to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Mining, Oil &amp; Gas Companies Note”</b>	the ‘Note for Mining Oil & Gas Companies’ published by the London Stock Exchange setting out specific requirements, rule interpretation and guidance relating to resource companies, as may be amended from time to time;
<b>“AIM Rules”</b>	the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
<b>“AIM Rules for Companies”</b>	the rules which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time;
<b>“AIM Rules for Nominated Advisers”</b>	the Rules which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time;
<b>“Amendment Agreement”</b>	the agreement entered into on 5 October 2016 between the Company and Deutsche Balaton in relation to the proposed conditional amendment, of the terms of the DB 2015 CLNs and the DB 2015 Warrants and the issue of new Ordinary Shares and additional warrants;
<b>“general meeting”</b>	a general meeting of the Shareholders called in accordance with the Company’s Articles;
<b>“Applicant”</b>	a Qualifying Shareholder or a person entitled by virtue of a bona fide market claim who lodges an Application Form under the Open Offer;
<b>“Application Form”</b>	the application form to be used by Qualifying Non-CREST Shareholders in connection with the Open Offer;
<b>“Articles”</b>	the articles of association of the Company for the time being;
<b>“Basic Entitlement(s)”</b>	the entitlement to subscribe for Open Offer Shares, allocated to an Qualifying Shareholder pursuant to the Open Offer as described in Part IV of this document;
<b>“Baoulé”</b>	the Company’s kimberlite project in Guinea, the licence for which is currently owned by Ressources Tassiliman Baoulé;
<b>“Baoulé JVA”</b>	the joint venture agreement currently in place between the Company and Tassiliman in respect of the Baoulé project;
<b>“Board” or “Directors”</b>	the current directors of the Company, whose names are set out on page 8

	of this document;
<b>“Business Day”</b>	any day which is not a Saturday, Sunday or a public holiday in the UK;
<b>“Cairn”</b>	Cairn Financial Advisers LLP, the Company’s nominated adviser;
<b>“CEO”</b>	the chief executive officer of the Company;
<b>“certificated” or “in certificated form”</b>	not in uncertificated form (that is, not in CREST);
<b>“Citigate”</b>	Citigate Commodities Trading Limited, a subsidiary of Citigate International Limited, a UAE-based international group led by entrepreneur, founder and CEO Tohib Iyola;
<b>“Company” or “Stellar”</b>	Stellar Diamonds plc, a company registered in England and Wales with registered number 5424214;
<b>“Competent Person” or “MPH”</b>	MPH Consulting Limited, the competent person for the purpose of the purpose of the AIM Mining, Oil & Gas Companies Note;
<b>“Competent Person’s Report” or “CPR”</b>	the competent person’s report primarily relating to the Tongo and Tonguma projects as well as Stellar’s other portfolio diamond projects prepared by MPH and available on the Company’s website;
<b>“CREST”</b>	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by Euroclear UK & Ireland Limited;
<b>“CREST Manual”</b>	the compendium of documents entitled CREST Manual issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms;
<b>“CREST Member”</b>	a person who has been admitted to Euroclear as a member (as defined in the CREST Order);
<b>“CREST Order”</b>	the Companies (Uncertificated Securities) (Jersey) Order 1999 (as amended);
<b>“CREST Participant”</b>	a person who is, in relation to CREST, a participant (as defined in the CREST Order);
<b>“CREST Payment”</b>	shall have the meaning given in the CREST Manual issued by Euroclear;
<b>“CREST Sponsor(s)”</b>	a CREST Participant admitted to CREST as a CREST sponsor;
<b>“CREST Sponsored member(s)”</b>	a CREST Member admitted to CREST as a sponsored member (which includes all CREST Personal Members);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
<b>“DB 2015 CLN”</b>	the five secured convertible loan notes, each with a nominal amount of US\$0.33 million and an aggregate nominal amount of US\$1.65 million issued to Deutsche Balaton pursuant to a convertible loan note agreement entered into on 2 November 2015 as amended by the terms of the Amendment Agreement;

<b>“DB 2015 Warrants”</b>	the five warrants each for a subscription amount of US\$0.33 million and an aggregate subscription amount of US\$1.65 million, to subscribe for shares in the Company or its subsidiaries and as amended by the terms of the Amendment Agreement;
<b>“Deutsche Balaton”</b>	Deutsche Balaton AG;
<b>“Enlarged Ordinary Share Capital”</b>	the 61,007,748 Ordinary Shares of the Company in issue upon Admission following completion of Open Offer (assuming full take-up of the Open Offer);
<b>“EPA”</b>	Environmental Protection Agency of Sierra Leone;
<b>“EU”</b>	the European Union;
<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying Shareholders may apply for any number of Open Offer Shares in excess of their Open Offer Entitlement provided that they have agreed to take up their Open Offer Entitlement in full
<b>“Existing Ordinary Shares”</b>	the 54,853,902 Existing Ordinary Shares of the Company at the date of this document;
<b>“Fee Shares”</b>	the 1,978,437 new Ordinary Shares issued to certain directors and senior management of the Company on 14 September 2017;
<b>“Financial Conduct Authority” or “FCA”</b>	the United Kingdom Financial Conduct Authority;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“Group”</b>	the Company and its existing subsidiaries and subsidiary undertakings;
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs;
<b>“IFRS”</b>	International Financial Reporting Standards as adopted by the European Union;
<b>“ISIN”</b>	international security identification number;
<b>“Issue Price”</b>	3.25 pence per New Ordinary Share;
<b>“Mine plan”</b>	The mine plan for Tongo-Tonguma developed as part of and reported in the PEA by PPM and SRK Consulting.
<b>“NMA”</b>	National Minerals Agency of Sierra Leone;
<b>“Octea”</b>	Octea Mining Ltd;
<b>“Official List”</b>	the list maintained by the UKLA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA;
<b>“Open Offer”</b>	the offer to Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price, as described in this document;
<b>“Open Offer Entitlements”</b>	the entitlement of Qualifying Shareholders to subscribe for the Open Offer

	Shares at the Issue Price allocated to Qualifying Shareholders at the Record Date pursuant to the Open Offer;
<b>“Open Offer Shares”</b>	up to 6,153,846 new Ordinary Shares which are being offered to Qualifying Shareholders pursuant to the Open Offer;
<b>“Ordinary Shares”</b>	ordinary shares of 1 penny each in the issued share capital of the Company from time to time;
<b>“Overseas Shareholders”</b>	Shareholders resident in, or citizens of, jurisdictions outside the United Kingdom;
<b>“Peterhouse”</b>	Peterhouse Corporate Finance Limited, the Company’s Joint Broker;
<b>“Placees”</b>	any persons who have agreed to subscribe for Placing Shares pursuant to the Placing;
<b>“Placing”</b>	the placing by Peterhouse, as agent of and on behalf of the Company of the Placing Shares at the Issue Price and announced by the Company on 11 September 2017 and completed on 14 September;
<b>“Placing Shares”</b>	the 10,153,847 new Ordinary Shares issued pursuant to the Placing and which were admitted to trading on AIM on 14 September 2017;
<b>“PEA”</b>	the preliminary economic assessment of the Tongo-Tonguma produced by Paradigm Project Management and SRK Consulting as further described in the CPR;
<b>“PPM”</b>	Paradigm Project Management;
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are held in uncertificated form;
<b>“Qualifying Non-CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are held in certificated form;
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the Record Date (other than Shareholders resident in or citizens of any Restricted Jurisdiction);
<b>“Record Date”</b>	close of business on 14 September 2017;
<b>“Regulation S”</b>	Regulation S of the Securities Act;
<b>“Restricted Jurisdiction”</b>	any U.S. person (as defined in Regulation S) or any address in the U.S., Canada, Australia, the Republic of South Africa, New Zealand, Japan or any other country outside of the United Kingdom where a distribution may lead to a breach of any applicable legal or regulatory requirements;
<b>“RTB”</b>	Ressources Tassiliman Baoulé, the holder of the Baoulé project;
<b>“Securities Act”</b>	the U.S. Securities Act of 1933, as amended;
<b>“Shareholders”</b>	the persons who are registered as holders of Ordinary Shares;
<b>“Significant Shareholder”</b>	any person holding 3 per cent. or more of the issued share capital from time to time;

<b>“SRK”</b>	SRK Consulting
<b>“Sterling” or “£”</b>	the legal currency of the UK;
<b>“Tassiliman”</b>	Société Tassiliman, a company incorporated in Guinea, being the local partner in the Baoulé JVA;
<b>“TIDM”</b>	tradable instrument display mnemonic;
<b>“Tongo Licence”</b>	means the exploration licence, EL48/2012, in respect of the Tongo project;
<b>“Tongo” or the “Tongo Project”</b>	the kimberlite project covering approximately 9.98 square kilometres in the Lower Bambara Chiefdom, Kenema District, in the Eastern Province of Sierra Leone and covered by Tongo Licence;
<b>“Tongo-Tonguma Project” or the “Tongo-Tonguma mine”</b>	being the Tongo Project and the adjacent Tonguma Project which are proposed to be jointly developed by Stellar pursuant to the terms of the Tribute Mining Agreement as further in paragraph 2 of Part I of this document;
<b>“Tonguma”</b>	Tonguma Limited, a company incorporated in the British Virgin Islands;
<b>“Tonguma Licence”</b>	means the mining licence ML01/12 in respect of the Tonguma Project which is owned by Tonguma;
<b>“Tonguma Project”</b>	the kimberlite project covering approximately 124 square kilometres in the Lower Bambara Chiefdom, Kenema District, in the Eastern Province of Sierra Leone and covered by mining lease ML01/12;
<b>“Tribute Mining Agreement”</b>	the conditional tribute mining agreement entered into between the Company’s wholly owned subsidiary, Sierra Diamonds Limited and Octea to develop and operate the Tonguma Project;
<b>“Tribute Heads of Terms”</b>	the heads of terms dated 19 February 2017 relating to the terms of the Tribute Mining Agreement;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“UKLA”</b>	the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“Uncertificated” or “in Uncertificated Form”</b>	a share or other security recorded on the relevant register of the relevant company concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>“U.S.”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
<b>“U.S Dollars” or “US\$” or “USD” or “cents”</b>	United States Dollars, the formal currency used in the U.S.;
<b>“VAT”</b>	Value Added Tax;
<b>“2016 CLN”</b>	the unsecured transferable convertible loan issued by the Company to the 2016 CLN Noteholders with a nominal amount of US\$1.24 million;



<b>“2016 CLN Noteholders”</b>	Deutsche Balaton, Steven Poulton and Creditforce Limited; and
<b>“2016 Warrants”</b>	the warrants issued to the 2016 CLN Noteholders pursuant to the terms of the 2016 CLN, to subscribe for Ordinary Shares;

All references in this Document to “£” or “pence” are to the lawful currency of the UK.

All references in this Document to “\$” or “cents” are to the lawful currency of the United States of America.

All references to legislation in this Document are to English legislation unless the contrary is indicated.

For the purpose of this document, an exchange rate of US\$ to £ of 0.76 has been used.

## GLOSSARY OF TECHNICAL TERMS AND MEASUREMENTS

The following table provides an explanation of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms:

<b>“alluvial”</b>	refers to material formed or deposited by running water;
<b>“carat” or “ct”</b>	a standard unit of weight for diamonds, 1 carat equals 0.2 grams;
<b>“cpht”</b>	carats per hundred tonnes;
<b>“diamondiferous”</b>	containing diamonds;
<b>“dyke”</b>	a vertical or near-vertical sheet-like body of igneous rock which is discordant (i.e. cuts across the bedding or structural planes of the host rock);
<b>“feasibility study”</b>	a comprehensive study, including final engineering, undertaken to determine the economic feasibility of a project; the conclusion will determine if a production decision can be made and is used for financing arrangements. Typically, the accuracy of these studies aims to be in the +/- 10 to 15 per cent. range;
<b>“grade”</b>	the relative mass of diamonds in a mass of rock;
<b>“ha”</b>	hectare;
<b>“indicated resource”</b>	that part of a diamond resource for which tonnage and volume, densities, shape, physical characteristics, grade and average diamond value can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and grade continuity but are spaced closely enough for continuity to be assumed and sufficient diamonds have been recovered to allow a reasonable estimate of average diamond value;
<b>“inferred resource”</b>	that part of a diamond resource for which tonnage or volume, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed, but not verified geological and grade continuity and a sufficiently large diamond parcel is not available to ensure a reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability;
<b>“kimberlite”</b>	an uneven grained, ultramafic, intrusive igneous rock in which the visible minerals may include olivine, phlogopite, pyrope garnet, picroilmenite and chrome-diopside cemented by a groundmass, which may include serpentine, calcite and chromite. Kimberlite may be diamondiferous and, along with olivine lamproites, are the only known primary source of diamonds;
<b>“km<sup>2</sup>”</b>	square kilometres;
<b>“measured resource”</b>	that part of a Diamond Resource for which tonnage and volume, densities,

shape, physical characteristics, grade and average diamond value can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity and sufficient diamonds have been recovered to allow a confident estimate of average diamond value;

**“mm”**

Millimetres;

**“pipe”**

the carrot shaped volcanic vent that has been formed by explosive action and is characteristic of kimberlite;

**“pre-feasibility study”**

preliminary feasibility (pre-feasibility) studies are the intermediate step in the project evaluation. At this stage there is sufficient drilling, bulk sampling and process test work for preliminary engineering. Typically, the accuracy of these studies is in the +/- 15-25 per cent. range. The goal of these studies is to determine the mining and milling extraction methods and rates, the product recoveries, environmental and permitting issues, preliminary capital and operating cost estimates;

**“strike”**

the horizontal direction or trend of a geological structure;

**“tph”**

tonnes per hour;

