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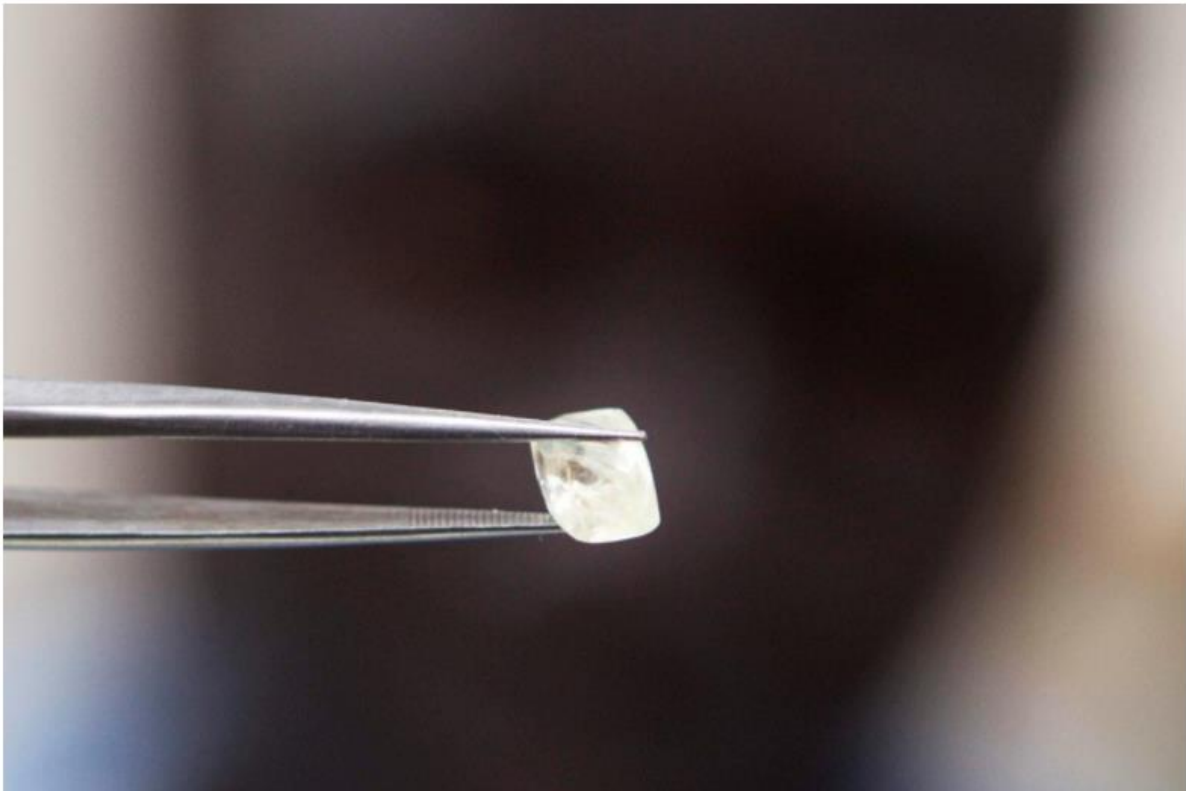
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## Stellar Diamonds seeks to fund first post-Ebola mine in Sierra Leone

Barbara Lewis

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FILE PHOTO: A trader holds a four carat diamond worth about US\$8,000 in the town of Koidu in eastern Sierra Leone, April 21, 2012. REUTERS/Finbarr O'Reilly /File Photo

LONDON (Reuters) - Stellar Diamonds ([STELD.L](#)), a London-listed small-cap, is seeking funding for a \$45 million (£33.19 million) diamond project in Sierra Leone it says will be the first major mining project since the Ebola crisis rocked the country's economy.

Diamonds and other forms of mining are central to an economy hard hit by the 2015 Ebola epidemic.

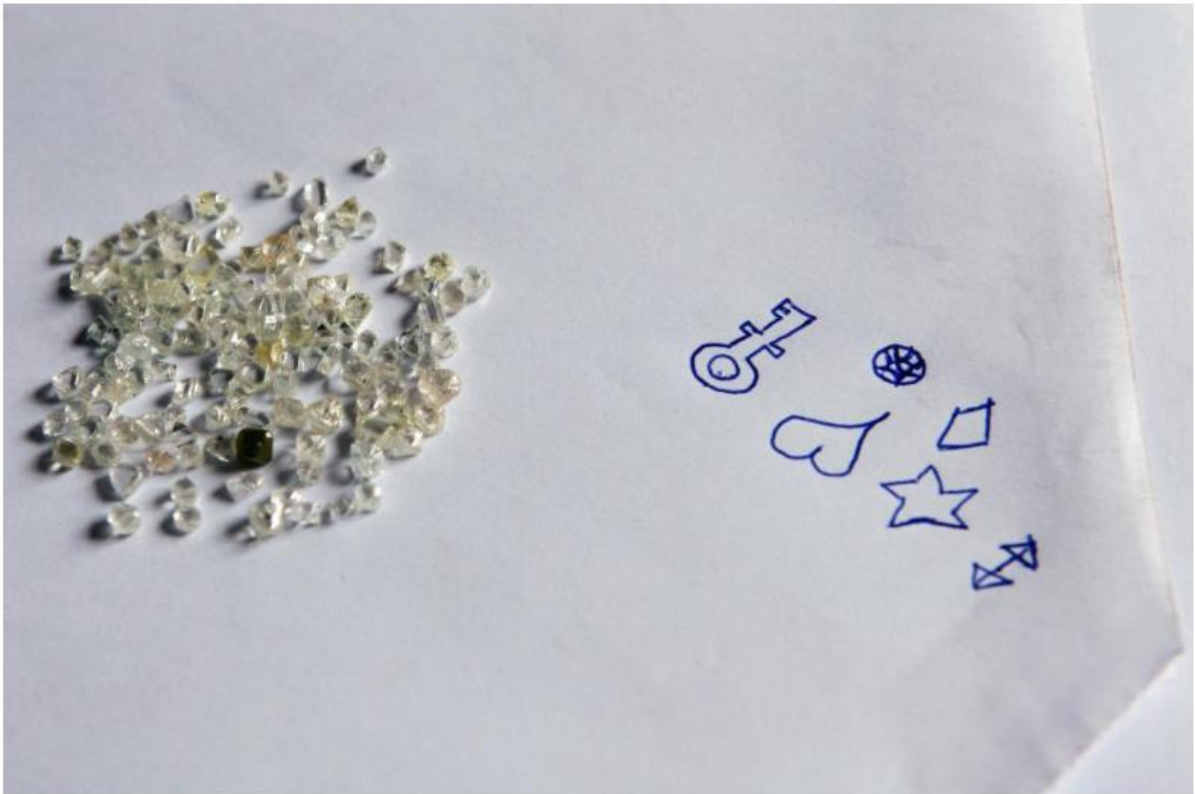
Trade in diamonds helped to fuel the decade-long conflict that ended in 2002, but since the lifting of a ban on exports in 2003 and strict international rules, the industry says Sierra Leone's exceptionally high quality diamonds have become a force for good.

"This is the first large-scale mining licence to be issued by the government since Ebola, creating up to 1,000 jobs," Stellar CEO Karl Smithson said in an interview.

Initially, Stellar Diamonds planned to buy the diamond prospect through a reverse takeover to acquire acreage from private firm Ocea, which already operates Koidu, the biggest diamond mine in Sierra Leone and West Africa. The new project Tongo-Tonguma will be the region's second biggest, Smithson said.

In an environment in which small players can struggle to raise cash following the 2015-16 commodity crash, Smithson abandoned the reverse takeover plan in favour of a revenue-sharing deal.

That means Stellar will pay a 9.3 percent gross royalty to Ocea, which continues to own the Tonguma prospect, while Stellar keeps the adjacent Tongo acreage and operates both.



FILE PHOTO: Rough diamonds worth around US\$10,000 sit on a sheet of doodled paper in the office of a Lebanese gem dealer in the town of Koidu in eastern Sierra Leone, March 2, 2012. REUTERS/Simon Akam/File Photo.

Between them, Tongo-Tonguma should produce 200,000 carats per year over the 21-year mine life and generate gross revenue of \$45 million annually.

For a small-cap, the advantage of the deal is it gets rid of the need to raise all the money upfront and means work can begin quickly - Smithson hopes next year.

To provide working capital, meanwhile, the company this week announced a share issue and an open offer to minority shareholders to raise roughly 500,000 pounds.

Its share price, which was suspended for half a year while the reverse takeover was considered, has fallen more than 50 percent this year.

Stellar Diamonds expects to raise cash from a deal agreed earlier this year to sell its assets in Guinea to BDG Capital Limited, although Smithson said the final price would be less than the \$2 million figure initially announced.

BSG Resources (BSGR) said it could not comment as the Ocea deal was still being finalised.

The group was founded by Israeli billionaire Beny Steinmetz, who is now an advisor and not involved in daily business.

Editing by Louise Heavens

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