

Stellar Diamonds soars on takeover offer

01 FEBRUARY 2018

Stellar Diamonds (LN:STEL) stock soared on Thursday morning after the exploration company announced it was in takeover talks with gold and diamond explorer Newfield Resources (AU:NWF)



The Sierra Leone-focused diamond company has recently been looking to complete a tribute mining agreement tie-up with privately-owned Octea Mining, which owns the Tonguma diamond asset nearby to Stellar's flagship Tongo project.



Amid these talks, ASX-listed Newfield has come in with an all-share bid carrying a hefty 452% premium to Stellar's closing share price on January 31. This valued the company at £0.127 per share.

Unsurprisingly Stellar's investors reacted positively to this news, with its shares up 166% to £0.06/share close to the end of morning UK trade.

Stellar's appeal is the 4.5 million carat resource base at Tongo-Tonguma, which estimates imply could be developed for around US\$30 million. This is strategic to Newfield as it has its own diamond project, Allotropes, just southwest of Tongo-Tonguma. The company also has gold interests in Australia.

Should a deal go through, contingent on Newfield securing A\$30 million (US\$24 million) through a rights issue, Stellar shareholders would be entitled to 16.4% of the enlarged company.

In the meantime, Newfield has made plans to raise A\$7 million in equity, of which US\$3 million would be advanced to Stellar as a loan to carry out the front end engineering design for the project, as well as pay the required licence fees for both Tongo and Tonguma. The loan, which comes with an interest rate of 24% per annum, is intended to be paid back shortly after the deal completes.

The additional A\$30 million, which the deal is hinged on, would go in part towards bringing Tongo-Tonguma into production and repaying the accrued interest from Stellar's outstanding loan notes.

So far, Newfield has received support from, in aggregate, 29.8% of Stellar shareholders.

In the meantime, Ocea has agreed to extend the long stop date of the two companies' tribute mining agreement to February 28, from January 31, to allow completion of the last remaining conditions.

This agreement would see Ocea and Stellar retain ownership of their respective licences, while Stellar funds and develops Tongo and uses that infrastructure to mine the Tonguma licence.

Stellar CEO Karl Smithson told *Mining Journal* [in May](#) that the Tongo-Tonguma project could produce first diamonds within nine months of project construction starting.