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25 JUNE 2010

**AIM: STEL**

**Stellar Diamonds plc**  
**(“Stellar” or the “Company”)**

**Interim Consolidated Financial Statements (Unaudited) for the six months ended 31 March 2010**

The Board of Stellar is pleased to announce its Interim results (unaudited) for the six months ended 31 March 2010 which have also been published today on the Company's website [www.stellar-diamonds.com](http://www.stellar-diamonds.com).

**Highlights**

- Reverse takeover of West African Diamonds plc completed in February 2010 to create the second largest diamond producing company, in carat terms, on AIM
- £5 million of new funds raised in February 2010 to implement significant increases in diamond production
- Balance sheet cash position at 31 March 2010 of US\$2.5 million, net current assets of US\$3.4 million and loans of US\$0.4 million
- In May 2010 Stellar acquired Petra Diamonds' 51% share in the Kono kimberlite project in Sierra Leone by issuing 4.5 million Stellar shares at 20 pence per share.

**Karl Smithson, Chief Executive Officer, comments:**

“The past six months have seen Stellar evolve from a privately held, primarily exploration focussed company, to a quoted diamond production and development company with a focus on the prolific diamond region of West Africa. Through the reverse takeover of West African Diamonds plc and subsequent financing we have created an enlarged company that is financially robust and is in the process of increasing its current production profile and revenues in the short-term, which will enable the Company to develop our key high-grade kimberlites in the medium-term.

“I look forward to updating shareholders on our production and development progress in the near future.”

For further information please contact the following or visit the Company's website at [www.stellar-diamonds.com](http://www.stellar-diamonds.com).

**Stellar Diamonds plc**

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**About Stellar Diamonds plc**

Stellar Diamonds plc is a London (AIM: STEL) quoted diamond mining and exploration company that has a portfolio of projects in West Africa. Two projects in Guinea are in production, Mandala and Bomboko, which provide cash flow to the Company.

Stellar also owns full rights over four high-grade kimberlites that are the focus of further development. In Sierra Leone the Tongo and Kono projects comprise a series of diamondiferous kimberlite dykes, with the Kono project having produced 4,200 carats of diamonds through underground trial mining. In Guinea the Droujba kimberlite pipe and the Bouro kimberlite dykes are located in proximity to the Company's Mandala mine and demonstrate grades of up to 200cpht and 500cpht respectively.

## CHAIRMAN'S STATEMENT

Stellar Diamonds plc (the "Company" or "Stellar") is required to provide these interim consolidated financial statements under the AIM rules for the six month period following the date of the last audited information in its Admission Document. The Company's financial year end is 30 June and the next set of audited results will be prepared to this date.

In the six months to 31 March 2010 under review Stellar has made considerable progress towards its goal of becoming the leading West African diamond producer. The reverse takeover of West African Diamonds was completed and the enlarged company, Stellar Diamonds plc, was admitted to trading on the Alternative Investment Market ("AIM") on 22 February 2010. This was accompanied by a successful fund raising of £5 million which was co-brokered between RBC Capital Markets (Stellar's nominated adviser and broker) and Astaire Securities.

The funds raised enabled Stellar to pursue its strategy of expansion of the Bomboko and Mandala mines in south east Guinea to increase exposure to strengthening diamond prices. Additional equipment has been purchased to enable mining and production rates to increase and this process has almost been completed.

Production at the 100% owned Mandala mine for the six months ended 31 March 2010 was 34,409 carats at a grade of 36 carats per hundred tonnes ("cpht"). Total production at Mandala since mining commenced in late April 2009 has reached 78,491 carats at a grade of 39cpht, which is well in excess of the expected (modeled) grade of 25cpht. The largest diamond recovered to date is a 37 carat fancy yellow stone that was selected for polishing.

Diamond sales, of both gem and industrial quality for the six months ended 31 March 2010 realised \$1.19 million at an average of over \$24 per carat. Total sales to date from Mandala have reached 74,793 carats at an average of \$30.71 per carat, for total revenue of \$2.3 million. The average sales prices in 2010 are significantly higher than those achieved in 2009 as the rough diamond market continues to improve. The most recent sales have realised prices ranging from \$38 to \$42 per carat, excluding the 37 carat yellow stone.

At Bomboko trial mining continued with production reaching over 2,411 carats at an average grade of around 4cpht for this interim period. Total production from Bomboko has yielded 4,157 carats at a grade of 5cpht. This lower grade relative to Mandala is compensated for by the higher average diamond value at Bomboko. Sales of Bomboko diamonds have realised \$417,000 at average prices of \$120 per carat.

The introduction of additional earth moving machinery at Mandala and a second plant at Bomboko should enable production at both these projects to be significantly increased from the end of the second quarter of 2010. At Mandala monthly carat production is expected to be over 12,000 carats, whereas at Bomboko, once the second plant is installed and operational, the mine will then have the capacity to produce up to 4,000 carats per month. This resulting increase in revenue will provide Stellar with the necessary funds to implement its kimberlite exploration and development programme going forward.

Stellar's medium term strategy and a key driver for growth is the development of its high-grade kimberlite projects at Kono and Tongo (Sierra Leone) and Bouro and Droujba (Guinea). These projects offer significant opportunities to strengthen Stellar's production pipeline in the mid-term and as such fast tracking their development through to production is a core priority for the Company. As part of this strategy Stellar entered negotiations with joint venture partner Petra Diamonds Limited ("Petra") with respect to acquiring Petra's interest in the Kono project. This acquisition was successfully completed in May 2010 through Stellar issuing Petra 4.5 million shares at a price of 20 pence per share, making Petra a 4.4% shareholder in Stellar.

The Kono project remained on care and maintenance during the interim review period. Trial mining has to date produced over 4,200 carats at average in-situ grades of around 65cpht for the Pol-K kimberlite, but grades of up to 140cpht from the Bardu kimberlite. Stellar intends to resume trial mining once the expected increased revenues from Mandala and Bomboko are realised.

Stellar intends to bulk sample the Tongo and Bouro kimberlites during 2010 in order to determine the diamond grade and value with more confidence. A 5 tonne per hour DMS plant has been purchased and will be re-located to the Tongo project in June to process a 1,000 to 2,000 tonne sample. The Bouro kimberlite is located a mere 1km from the Mandala processing plant so the bulk sampling of this kimberlite will utilize the existing mine infrastructure.

## **CHAIRMAN'S STATEMENT (continued)**

At the Droujba kimberlite pipe an aggressive drill programme is planned to commence towards the end of 2010. This will enable a geological resource model to be defined in advance of surface bulk sampling in 2011.

The Board of Stellar continues to assess new projects and acquisition opportunities as the Company seeks to achieve growth by both organic and non-organic means. However, the immediate focus of the management team is to increase production and revenue from its two existing mines to provide a strong financial platform to deliver growth through development of core kimberlite projects.

I would like to take this opportunity to thank my Board, management teams and staff for their hard work under challenging circumstances this past six months. Furthermore, I am thankful to existing and new shareholders for their continued support as Stellar made the successful transition from a private, mainly exploration focussed company to a publicly listed, production and development focussed company.

With an improving diamond sector I feel that the future outlook for Stellar is good as we ramp up production and position the company to become one of the largest diamond producers in West Africa and on AIM.

Lord Daresbury  
Non-Executive Chairman  
24 June 2010

**Stellar Diamonds plc**

Condensed consolidated statement of comprehensive loss (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

	Notes	Six months ended 31 March 2010 (unaudited)	Nine months ended 30 September 2009 (audited)
Revenue	3	1,194,853	563,705
Cost of sales		(2,587,518)	(1,403,380)
Gross loss		(1,392,665)	(839,675)
Administrative expenses			
- Impairment of intangible assets		-	(6,946,107)
- Other administrative expenses		(1,921,693)	(1,757,267)
		(1,921,693)	(8,703,374)
Finance income		317	317
Finance costs		(171,095)	(98,295)
<b>Loss before tax</b>		<b>(3,485,136)</b>	<b>(9,641,027)</b>
Income tax expense		-	-
<b>Loss after tax attributable to equity holders of the parent</b>		<b>(3,485,136)</b>	<b>(9,641,027)</b>
<b>Total comprehensive loss for the period attributable to equity holders of the parent</b>		<b>(3,485,136)</b>	<b>(9,641,027)</b>
Weighted average number of shares		56,444,240	49,761,490
<b>Basic and diluted loss per share</b>		<b>(0.06)</b>	<b>(0.19)</b>

**Stellar Diamonds plc**

Condensed consolidated statement of financial position (unaudited)

As at 31 March 2010

(Stated in U.S. dollars)

	Notes	31 March 2010 (unaudited)	30 September 2009 (audited)
<b>Assets</b>			
<i>Non-current assets</i>			
Intangible assets	4	3,625,717	2,781,108
Property, plant and equipment	5	17,456,932	10,973,580
<b>Total non-current assets</b>		<b>21,082,649</b>	<b>13,754,688</b>
<i>Current assets</i>			
Inventories		465,456	501,341
Receivables	6	1,029,948	488,402
Cash and cash equivalents		2,533,723	418,981
<b>Total current assets</b>		<b>4,029,127</b>	<b>1,408,724</b>
<b>Total assets</b>		<b>25,111,776</b>	<b>15,163,412</b>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	7	7,624,710	998,142
Share premium	7	21,883,734	31,397,951
Reverse acquisition reserve		16,800,372	-
Warrant reserve	7	412,825	269,801
Share option reserve	8	3,127,249	2,709,261
Convertible loan reserve	10	87,853	87,853
Accumulated loss		(25,896,931)	(22,411,795)
<b>Total equity</b>		<b>24,039,812</b>	<b>13,051,213</b>
<i>Non-current liabilities</i>			
Convertible loan	10	397,209	390,317
Provision		54,369	54,369
<b>Total non-current liabilities</b>		<b>451,578</b>	<b>444,686</b>
<i>Current liabilities</i>			
Trade and other payables		620,386	377,044
Other liabilities	9	-	715,478
Convertible loan	10	-	537,456
Derivative financial instruments	10	-	37,535
<b>Total current liabilities</b>		<b>620,386</b>	<b>1,667,513</b>
<b>Total liabilities</b>		<b>1,071,964</b>	<b>2,112,199</b>
<b>Total equity and liabilities</b>		<b>25,111,776</b>	<b>15,163,412</b>

**Company registration number: 5424214**

## Stellar Diamonds plc

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

	Share capital	Share premium	Warrant reserve	Share option reserve	Convertible loan reserve	Reverse acquisition reserve	Accumulated loss	Total equity
Balance at 1 January 2009	973,908	31,134,438	1,171,714	2,333,919	-	-	(13,672,681)	21,941,298
Total comprehensive loss for the period	-	-	-	-	-	-	(9,641,027)	(9,641,027)
Expired warrants	-	-	(901,913)	-	-	-	901,913	-
Equity component of convertible loan	-	-	-	-	87,853	-	-	87,853
Issue of share capital	24,234	263,513	-	-	-	-	-	287,747
Share-based compensation	-	-	-	375,342	-	-	-	375,342
Balance at 30 September 2009	998,142	31,397,951	269,801	2,709,261	87,853	-	(22,411,795)	13,051,213
Total comprehensive loss for the period	-	-	-	-	-	-	(3,485,136)	(3,485,136)
Issue of shares (note 7)	335	33,131	-	-	-	-	-	33,466
Conversion of debt to equity (note 2)	9,049	895,868	-	-	-	-	-	904,917
Reverse acquisition adjustment	4,656,462	(15,731,171)	-	156,356	-	16,800,372	-	5,882,019
Issue of placing shares (notes 2 and 7)	1,951,938	5,784,958	-	-	-	-	-	7,736,896
Share issue costs (notes 2 and 7)	-	(380,023)	-	-	-	-	-	(380,023)
Share warrants issued (notes 2 and 7)	-	(143,024)	143,024	-	-	-	-	-
Bonus shares issued to directors (note 7)	8,784	26,044	-	-	-	-	-	34,828
Re-pricing of Stellar Diamonds Limited share options (note 8)	-	-	-	261,632	-	-	-	261,632
<b>Balance at 31 March 2010</b>	<b>7,624,710</b>	<b>21,883,734</b>	<b>412,825</b>	<b>3,127,248</b>	<b>87,853</b>	<b>16,800,372</b>	<b>(25,896,931)</b>	<b>24,039,812</b>

**Stellar Diamonds plc**

Consolidated statement of cash flows (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

	Six months ended 31 March 2010	Nine months ended 30 September 2009
<b>Cash flows from operating activities:</b>		
Net loss for the period	(3,485,136)	(9,641,027)
Items not involving cash:		
Loss on disposal of property, plant and equipment	-	28,070
Depreciation of property, plant and equipment	834,842	730,006
Impairment of intangible assets	-	6,946,107
Share-based payment expense	261,631	375,342
Shares issued for nil consideration	34,828	287,747
Interest income	(317)	(317)
Interest expense	127,300	98,295
Net foreign exchange loss	79,606	21,330
Change in working capital items:		
(Increase)/Decrease in receivables	(388,406)	705,163
Decrease/(Increase) in stock	97,025	(501,341)
Increase/(Decrease) in trade and other payables	97,575	(291,309)
<b>Net cash used in operations</b>	<b>(2,341,052)</b>	<b>(1,241,934)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary	11,384	-
Purchases of property, plant and equipment	(1,672,698)	(219,774)
Payments to acquire intangible assets	(288,921)	(1,477,774)
Interest received	317	317
Repayment of other liabilities	(715,478)	-
<b>Net cash used in investing activities</b>	<b>(2,665,396)</b>	<b>(1,697,231)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of convertible loans	-	1,053,161
Repayment of convertible loans	(100,000)	-
Proceeds from issue of share capital, net of costs	7,356,872	-
Interest paid	(30,060)	(50,327)
<b>Net cash generated by financing activities</b>	<b>7,226,812</b>	<b>1,002,834</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,220,364</b>	<b>(1,936,331)</b>
Cash and cash equivalents, beginning of period	418,981	2,376,642
Effect of foreign exchange rate changes	(105,622)	(21,330)
<b>Cash and cash equivalents, end of period</b>	<b>2,533,723</b>	<b>418,981</b>

Significant non-cash transactions relate to the issue of shares on reverse acquisition of WAD (note 2), conversion of debt to shares in Stellar Diamonds Limited (note 2), issue of share warrants (note 7) and issue of shares during the period (notes 4 and 7).

## **Stellar Diamonds plc**

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

### **1. Basis of presentation**

Stellar Diamonds plc (the "Company" or on a consolidated basis the "Group") is presenting unaudited financial statements as of and for the six months ended 31 March 2010. The comparative period presented is audited financial statements as of and for the nine months period ended 30 September 2009 for the purposes of the reverse takeover (RTO) of West African Diamonds plc ("WAD") and simultaneous fund raising on 22 February 2010 (see note 2 for further information).

The RTO of WAD has been accounted for as a reverse acquisition as if Stellar Diamonds Limited had issued new shares in exchange for WAD's net assets. Although these consolidated financial statements have been issued in the name of Stellar Diamonds plc, the legal parent, the Group's activity is in substance a continuation of that of the legal subsidiary, Stellar Diamonds Limited, because after the transaction the former Board of Stellar Diamonds Limited were deemed to have control of the Group and of the legal parent.

The information for the nine months ended 30 September 2009 does not constitute statutory accounts for Stellar Diamonds plc as defined in section 434 of the Companies Act 2006. A copy of the most recent statutory accounts for the year ended 30 April 2009 has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified but drew attention to the Company's ability to continue as a going concern by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

On 1 November 2009, WAD changed its functional and presentational currency from Pound sterling to US dollars as a result of the increasing sales of diamonds and purchases of services and goods being denominated in US dollars.

#### **1.1 Going concern**

The Company's business activities, together with the factors likely to affect its future development, its key risks and performance are set out in the Chairman's Statement.

As discussed in the Chairman's Statement, the Company has invested in additional plant and equipment to significantly increase production at its two alluvial producing mines in Guinea. The expected increase in revenue will provide the Company with the necessary funds to implement its kimberlite exploration and development programme in the second half of 2010 and as such at 31 March 2010, there is minimal commitment to exploration activities.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility and as a result, the directors have formed a judgment at the time of approving the interim consolidated financial statements, that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the interim consolidated financial statements.

## **Stellar Diamonds plc**

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

### **1. Basis of presentation (continued)**

#### 1.2 Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in Stellar Diamonds Limited's latest audited financial statements as of and for the nine months ended 30 September 2009, except as described below.

In the current financial period, the Group adopted International Financial Reporting Standard 3, "Business Combinations" (revised 2008) and International Accounting Standard 27, "Consolidated and Separate Financial Statements" (revised 2008). The most significant changes to the Group's previous accounting policies for business combinations are as follows:

- acquisition-related costs which previously would have been included in the cost of business combination are included in administrative expenses as they are incurred;
- any pre-existing equity interest in the entity are remeasured to the fair value at the date of obtaining control, with any resulting gain or loss recognised in profit or loss;
- any changes to the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity with no adjustment to goodwill; and
- any changes to the cost of acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in profit and loss. Previously, such changes resulted in an adjustment to goodwill.

The revised standards have been applied to the reverse acquisition as described in note 2.

### **2. Reverse acquisition of West African Diamonds plc**

On 22 February 2010, Stellar Diamonds Limited completed its reverse takeover (RTO) of West African Diamonds plc (WAD) in a share for share exchange.

Prior to the completion of the RTO, convertible loans and accrued interest of \$546,241 (note 10), unpaid directors' fees from 1 January 2009 of \$208,676 (note 11) and African Aura Mining Inc.'s management fee charge for 2009 to Stellar Diamonds Limited of \$150,000 (note 11) were converted into new Stellar Diamonds Limited shares. WAD also undertook a 5 for 1 share consolidation of its enlarged share capital.

On 22 February 2010 the enlarged group raised \$7,356,873, net of share issue costs of \$380,023, in new funds (the "Placing"). In addition, the Company also issued share warrants with a fair value of \$143,024 to the Company's broker. The Placing comprised the issuance of 25,000,000 new ordinary shares at 20p per share converted to 31 cents per share (at a rate of 1.56155).

WAD changed its name to Stellar Diamonds plc and was re-admitted to AIM on completion of the RTO on 22 February 2010.

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

Prior to the Placing, a total of 53,248,164 consideration shares were issued and allotted to the shareholders of Stellar Diamonds Limited on the basis of 1.005 new ordinary shares in Stellar Diamonds plc for each Stellar Diamonds Limited share. The fair value attributed to the consideration shares is \$16.6 million based on the market price of the Placing shares of 20p per share converted to 31 cents per share (at a rate of 1.56155).

## **Stellar Diamonds plc**

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

### **2. Reverse acquisition of West African Diamonds plc (continued)**

The combination has been accounted for as a reverse acquisition as if Stellar Diamonds Limited had issued new shares in exchange for WAD's net assets. Although these consolidated financial statements have been issued in the name of Stellar Diamonds plc, the legal parent, the Group's activity is in substance a continuation of that of the legal subsidiary, Stellar Diamonds Limited because after the transaction the former Board of Stellar Diamonds Limited were deemed to have control of the Group and of the legal parent.

The following accounting treatment has been applied in respect of the transaction.

- The accumulated loss and other equity balances recognised in the consolidated financial statements reflect the consolidated accumulated loss and other equity balances of Stellar Diamonds Limited immediately before the transaction, and the consolidated loss for the period from 1 October 2009 to the date of the transaction are those of Stellar Diamonds Limited. However, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the transaction. The effect of using the equity structure of the legal parent gives rise to an adjustment to the Group's issued equity capital ("the reverse acquisition reserve").
- Comparative numbers presented in the consolidated financial statements are those reported in the consolidated financial statements of the legal subsidiary, Stellar Diamonds Limited, for the nine months ended 30 September 2009.
- The fair value of the shares issued by Stellar Diamonds plc has been determined from the perspective of Stellar Diamonds Limited. The substance of the transaction is that Stellar Diamonds Limited received net assets of \$5.9 million representing 100 per cent of the value of the net assets of WAD. This is based on the fair value of the shares acquired from the shareholders of WAD of \$5,725,663, being 18,333,268 shares at a fair value of 20p, converted to 31 cents per share (at a rate of 1.56155) and the fair value of re-issued options previously held by WAD management and employees of \$156,356 (note 8).
- The Company's financial statements and related notes are for the legal subsidiary (treated as the accounting acquirer) for the period from 1 October 2009 to 31 March 2010 and include the results of WAD from the date of acquisition at 22 February 2010.

Refer also to note 7 for the details of the movements in share capital.

**Stellar Diamonds plc**

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

**2. Reverse acquisition of West African Diamonds plc (continued)**

The following table summarizes the fair values of the assets acquired and liabilities assumed on 22 February 2010.

	<b>Book value</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents	11,384	11,384
Accounts receivable	3,140	3,140
Inventories	-	61,141
	<u>14,524</u>	<u>75,665</u>
<b>Non-current assets</b>		
Intangible assets (Note 4)	-	522,223
Property, plant and equipment (Note 5)	11,129,938	5,645,495
	<u>11,129,938</u>	<u>6,167,718</u>
<b>Total assets acquired</b>	<b><u>11,144,462</u></b>	<b><u>6,243,383</u></b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>472,380</u>	<u>361,364</u>
<b>Total liabilities assumed</b>	<b><u>472,380</u></b>	<b><u>361,364</u></b>
<b>Net assets acquired</b>	<b><u>10,672,082</u></b>	<b><u>5,882,019</u></b>
<b>Total consideration</b>		
Fair value of shares issued		<b>5,725,663</b>
Fair value of share options re-issued (note 8)		<b>156,356</b>
		<u><b>5,882,019</b></u>

The results of WAD have been included in the consolidated financial statements from 22 February 2010. WAD generated a net loss of \$179,177 since the date of acquisition. If WAD had been a member of the Group from 1 October 2009 it would have not contributed any material revenues or profits and losses.

The net cash inflow as a result of the acquisition is \$11,384.

## Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

### 3. Segments

The Company is engaged in the acquisition, exploration, development and production of diamond properties in the West African countries of Sierra Leone, Guinea, Liberia and up to 30 September 2009, the DRC. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the projects in geographical locations. The reportable segments under IFRS 8 are therefore as follows:

- Guinea;
- Sierra Leone;
- Liberia;
- Corporate activities in the United Kingdom; and
- Other which include DRC.

Following is an analysis of the Group's revenue and results by reportable segment for the six months ended 31 March 2010:

	Guinea	Sierra Leone	Liberia	UK	Total
	\$	\$	\$	\$	\$
Revenue	1,194,853	-	-	-	1,194,853
Segment result	(791,028)	-	490	(2,523,820)	(3,314,358)
Finance income	-	-	-	317	317
Finance costs	-	(5,465)	-	(165,630)	(171,095)
Loss before tax	(791,028)	(5,465)	490	(2,689,133)	(3,485,136)
Income tax expense	-	-	-	-	-
Loss after tax	(791,028)	(5,465)	490	(2,689,133)	(3,485,136)
Segment assets	17,399,853	2,796,983	-	4,914,940	25,111,776
Segment liabilities	(70,545)	(795)	-	(1,000,624)	(1,071,964)
Share based payment expense	-	-	-	(261,632)	(261,632)
Depreciation of property, plant and equipment	(834,842)	-	-	-	(834,842)
Capital additions					
– property, plant and equipment	7,318,193	-	-	-	7,318,193
– intangible assets	743,277	101,332	-	-	844,609

**Stellar Diamonds plc**

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 March 2010

(Stated in U.S. dollars)

**3. Segments (continued)**

Following is an analysis of the Group's revenue and results by reportable segment for the nine months ended 30 September 2009:

	Guinea	Sierra Leone	Liberia	UK and other	Total
	\$	\$	\$	\$	\$
Revenue	563,705	-	-	-	563,705
Segment result	(1,263,344)	(7,000,806)	-	(1,278,899)	(9,543,049)
Finance income	-	-	-	317	317
Finance costs	-	-	-	(98,295)	(98,295)
Loss before tax	(1,263,344)	(7,000,806)	-	(1,376,877)	(9,641,027)
Income tax expense	-	-	-	-	-
Loss after tax	(1,263,344)	(7,000,806)	-	(1,376,877)	(9,641,027)
Segment assets	11,795,240	2,595,698	12,094	760,380	15,163,412
Segment liabilities	(110,851)	(716,273)	-	(1,285,075)	(2,112,199)
Impairment of intangible assets	72,740	(7,000,000)	-	(18,847)	(6,946,107)
Share based payment expense	-	-	-	(375,342)	(375,342)
Depreciation of property, plant and equipment	(729,200)	(806)	-	-	(730,006)
Capital additions					
– property, plant and equipment	274,143	-	-	-	274,143
– intangible assets	604,380	927,288	(70,659)	16,765	1,477,774

**Stellar Diamonds plc**

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For the six months ended 31 March 2010

(Stated in U.S. dollars)

**4. Intangible assets**

	Resource properties	Exploration costs	Total
	\$	\$	\$
Cost			
At 1 January 2009	5,043,592	18,686,034	23,729,626
Additions	-	1,477,774	1,477,774
Transfer to mining assets	(4,933,592)	(2,569,450)	(7,503,042)
At 30 September 2009	110,000	17,594,358	17,704,358
Additions	-	322,386	322,386
Acquired as part of WAD (note 2)	522,223	-	522,223
At 31 March 2010	632,223	17,916,744	18,548,967
Impairment			
At 1 January 2009	110,000	7,867,143	7,977,143
Charge for the period	-	6,946,107	6,946,107
At 30 September 2009	110,000	14,813,250	14,923,250
Charge for the period	-	-	-
At 31 March 2010	110,000	14,813,250	14,923,250
Net book value			
At 31 March 2010	522,223	3,103,494	3,625,717
At 30 September 2009	-	2,781,108	2,781,108

Additions during the period include \$33,466 acquired by issuing shares in the Company.

As a result of impairment reviews carried out during the period an impairment of \$nil has been recorded (2009: US\$6,946,107). The impairment during the prior period relates to the Kono project as a result of management's decision to suspend operations and place the Kono project under temporary care and maintenance until diamond prices recover.

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**5. Property, plant and equipment**

	Mining assets	Assets under construction	Machinery and equipment	Total
	\$	\$	\$	\$
<b>Cost</b>				
At 1 January 2009	-	2,257,823	2,019,024	4,276,847
Additions	54,369	219,774	-	274,143
Transfer from intangible assets	7,503,042	-	-	7,503,042
Transfer	3,134,872	(2,437,496)	(697,376)	-
Disposal	-	(40,101)	-	(40,101)
At 30 September 2009	10,692,283	-	1,321,648	12,013,931
Additions	271,092	-	1,401,606	1,672,698
Acquired as part of WAD (note 2)	3,911,750	-	1,733,745	5,645,495
At 31 March 2010	14,875,125	-	4,456,999	19,332,124
<b>Depreciation</b>				
At 1 January 2009	-	-	322,376	322,376
Charge for the year	524,776	-	205,230	730,006
Disposal	-	-	(12,031)	(12,031)
At 30 September 2009	524,776	-	515,575	1,040,351
Charge for the year	657,443	-	177,399	834,842
At 31 March 2010	1,182,219	-	692,974	1,875,193
<b>Net book value</b>				
At 31 March 2010	13,692,906	-	3,764,025	17,456,932
At 30 September 2009	10,167,507	-	806,073	10,973,580

Transfers during the period from 1 January to 30 September 2009 relate to the Mandala mine assets in Guinea which was commissioned in April 2009.

Included within mining assets is the rehabilitation provision for Mandala of \$54,369 (2009: \$54,369).

Depreciation of mining assets of \$657,443 (2009: \$524,776) has been charged to cost of sales whilst depreciation of machinery and equipment of \$177,399 (2009: \$205,230) has been charged to administrative expense.

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**6. Receivables**

	31 March 2010 \$	30 September 2009 \$
Amounts due from shareholder (note 11)	880,170	359,305
Amounts due from associated company (note 11)	-	128,841
Other receivables	149,778	256
	<u>1,029,948</u>	<u>488,402</u>

The amount due from shareholder is under dispute and therefore there is uncertainty over the recoverability of this amount. No provision for impairment has been made by the Company as the directors believe the amount is recoverable and the Company is actively pursuing its recovery.

**7. Share capital, share premium and warrant reserve***Share capital***Authorised:**

Unlimited number of ordinary shares of 5p each.

	Number	Share capital \$	Share premium \$
<b>Allotted called-up and fully paid:</b>			
Balance as at 1 October 2009	50,037,254	998,142	31,397,951
Issue of shares	167,330	335	33,131
Conversion of debt to equity	2,778,678	9,049	895,868
WAD shares acquired	52,983,262	1,007,526	32,326,950
Reverse acquisition adjustment (note 2)	18,598,170	4,656,462	(15,731,171)
Balance on completion of reverse acquisition	71,581,432	5,663,988	16,595,779
Shares issued on share placing (note 2)	25,000,000	1,951,938	5,784,958
Share warrants issued (note 2)	-	-	(143,024)
Share issue costs (note 2)	-	-	(380,023)
Bonus shares issued to directors	112,500	8,784	26,044
	<u>96,693,932</u>	<u>7,624,710</u>	<u>21,883,734</u>

As part of the RTO described in note 2, Stellar Diamonds plc, the legal parent, performed a 5 for 1 share consolidation. The number of shares stated above has been restated for the 5 for 1 share consolidation following the RTO of WAD.

As outlined in note 2, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the transaction. The effect of using the equity structure of the legal parent gives rise to an adjustment to the Group's issued equity capital in the form of a reverse acquisition reserve.

## Stellar Diamonds plc

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### 7. Share capital, share premium and warrant reserve (continued)

On 23 February 2010, a total of 112,500 ordinary shares of 5p each ("bonus shares") were allotted and issued to Karl Smithson, Chief Executive Officer, and Angus Ogilvie, Finance Director. These allotments are in satisfaction of half of their respective listing bonuses of £30,000 and £15,000 following the successful admission of the Company on AIM (as set out in the Company's Admission Document).

#### *Share warrants*

On 22 February 2010 the Company acquired 100 per cent of the issued share capital of Stellar Diamonds Limited for consideration satisfied by the issue of 53,248,164 ordinary shares of 20 pence each in a ratio of 1:1.005. Consequently the number of warrants outstanding has increased by 1.005 times, and the exercise price has increased by 1.005 times.

The number of warrants outstanding is 18,679,451 (2009: 18,679,451). These were issued on 19 December 2008 and are exercisable at 25.1 pence per share up to 30 June 2010.

The Company granted 1,190,125 warrants to the Company's broker for the Placing to subscribe for up to 1,190,125 ordinary shares of £0.05 each in the Company exercisable for a price of 20p per share warrant. The warrants issued have resulted in a charge to the share premium of \$143,024 with the Black-Scholes option pricing model and the following assumptions: nil dividend yield, a weighted average expected volatility of the Company's share price of 67%, a weighted average annual risk free rate of 2.76% and an expected life of two years.

### 8. Share options

On 22 February 2010 the Company acquired 100 per cent of the issued share capital of Stellar Diamonds Limited for consideration satisfied by the issue of 53,248,164 ordinary shares of 20 pence each in a ratio of 1:1.005. Consequently the number of outstanding share options held by the management and employees presented for the nine months ended 30 September 2009 has increased by 1.005 times.

The following is a summary of the share options outstanding and exercisable as at 31 March 2010 and 30 September 2009 and changes during the period:

	31 March 2010		30 September 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		GBP£		GBP£
Outstanding and exercisable, beginning of period	4,012,463	0.310	3,007,463	0.890
Options re-priced	(3,482,325)	(0.225)	(2,477,325)	(0.871)
Options re-priced	3,482,325	0.200	2,477,325	0.225
Options not re-priced	530,138	0.875	530,138	0.871
Options granted on acquisition (note 2)	1,420,000	0.667	-	-
Options granted	-	-	1,005,000	0.225
Outstanding and exercisable, end of period	5,432,463	0.388	4,012,463	0.310

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**8. Share options (continued)**

On 22 February 2010 the Company re-issued to former management and employees of WAD 1,420,000 options in the enlarged company. The options issued have resulted in a charge of \$156,356 and has been included in the total consideration in the reverse acquisition of WAD with the Black-Scholes option pricing model and the following assumptions: nil dividend yield, a weighted average expected volatility of the Company's share price of 67%, a weighted average annual risk free rate of 2.76% and weighted average expected life of four years. The charge has been included in the cost of the reverse acquisition.

On 22 February 2010 the Stellar Diamonds Limited options were surrendered in exchange for the issuance of new options in the Company. This has resulted in an incremental increase in the fair value of the options of \$261,632 with the Black-Scholes option pricing model and the following assumptions: nil dividend yield, a weighted average expected volatility of the Company's share price of 67%, a weighted average annual risk free rate of 2.76% and an expected life of seven years.

As at 31 March 2010 the following stock options were outstanding and exercisable:

Number of stock options outstanding	Exercise price per share GBP£	Expiry date
100,000	1.000	21-Feb-11
80,000	1.175	21-Feb-11
400,000	1.000	15-Sep-13
100,000	1.000	02-Dec-13
20,000	1.000	08-Feb-14
20,000	1.175	10-Apr-14
40,000	1.150	17-Jul-14
60,000	1.225	30-Sep-14
600,000	0.150	23-Jul-16
530,138	0.875	22-Feb-17
3,482,325	0.200	22-Feb-17
5,432,463		

**9. Other liabilities**

	31 March 2010 \$	30 September 2009 \$
Amounts due to joint venture partners	-	715,478
	-	715,478

On 25 February 2010, the Company fully repaid the amounts due to Petra Diamonds Limited, the joint venture partner for the Kono project in Sierra Leone.

**Stellar Diamonds plc**

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**10. Convertible loan**

	31 March 2010 \$	30 September 2009 \$
Opening balance	1,053,161	-
Proceeds from issuance	-	1,053,161
Fair value accretion	32,908	-
Unrealised foreign exchange gain	(26,016)	-
Conversion to shares in Stellar Diamonds Limited	(474,991)	-
Paid during the period	(100,000)	-
	<u>485,062</u>	<u>1,053,161</u>
Presented in the consolidated statement of financial position as:		
- Current portion of convertible loan	-	537,456
- Non-current portion of convertible loan	397,209	390,317
- Embedded derivative	-	37,535
- Convertible loan reserve	87,853	87,853
	<u>485,062</u>	<u>1,053,161</u>

On 22 February 2010, certain convertible loans issued by Stellar Diamonds Limited on 1 May 2009 amounting to \$474,991 and accrued interest of \$71,250 were converted into Stellar Diamonds Limited shares. On the same date, the remaining \$100,000 of the convertible debentures issued by Stellar Diamonds Limited on 1 May 2010 and accrued interest of \$15,000 were repaid. As a result, the embedded derivative of \$37,535 related to the convertible debentures has been derecognised.

The \$474,991 loans converted to shares in Stellar Diamonds Limited included a \$200,000 held by African Aura Mining Inc., a shareholder of the Company.

Included in trade and other payables at 31 March 2010 is accrued interest on convertible loan of \$41,050 (2009: \$47,968).

**Stellar Diamonds plc**

Notes to the consolidated financial statements (unaudited)  
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**11. Related parties**

The company's parent company and ultimate controlling party prior to the RTO was African Aura Mining Inc. (AAM). During the period, the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with AAM. These transactions occurred under terms and conditions that are no less favourable than those arranged with third parties.

Transactions with other related parties have arisen within the normal course of business and are payable on demand unless otherwise stated.

The following table summarises the related party transactions:

	31 March 2010	30 September 2009
	\$	\$
African Aura Mining Inc., shareholder		
- management fees	55,500	112,500
- (repayment)/net proceeds of loans from AAM	(400,000)	400,000
- issuance of convertible loans	-	200,000
- conversion of convertible loans into shares	200,000	-
- conversion of unpaid 2009 management fee into shares in Stellar Diamonds Limited	150,000	-
Directors - bonus shares issued on successful admission of the Company on AIM	107,361	-
Directors - shares issued in lieu of accrued directors' fees	208,676	-
Directors - ordinary shares in the company granted at nil consideration	-	205,323
Directors fees	296,580	289,632

The convertible loan and the accrued interest at 31 March 2010 as disclosed in note 10 are owed to Altus Resource Capital. Steven Poulton, Non-Executive Director, is a Director of Altus Asset Management, the manager for Altus Resource Capital.

At the end of the period, the amounts payable to related parties are as follows:

	31 March 2010	30 September 2009
	\$	\$
Non-executive directors	15,125	120,060
Joint venture partners	-	715,478

At the end of the period, the amounts receivable from related parties are as follows:

	31 March 2010	30 September 2009
	\$	\$
African Aura Mining Inc.	880,170	359,305
Friendship Diamonds Guinee SA, subsidiary (formerly associated company)	-	128,841

The amount receivable from Friendship Diamonds Guinee SA was repaid on 30 October 2009.

**Stellar Diamonds plc**

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**12. Subsequent events**

On 24 May 2010, the Company announced the completion of the share purchase agreement with Petra Diamonds Limited in respect of the acquisition of 51% of the Kono kimberlite project in Sierra Leone in exchange for the issuance of 4,500,000 new ordinary shares to Petra Diamonds Limited as consideration for the agreed purchase price of £900,000, at a price of 20 pence per share.