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5 March 2018

AIM: STEL

Stellar Diamonds plc

(“Stellar” or the “Company”)

Interim Results for the six months to 31 December 2017

Stellar Diamonds plc, the AIM listed (AIM: STEL) diamond development company focused on West Africa, announces its unaudited interim results for the six months to 31 December 2017.

Operational and Corporate Highlights:

- Successful disposal of Guinea assets for gross proceeds US$1.25 million;
- Tribute Mining and Revenue Share Agreement with Octea Mining over the Tongo-Tonguma project closed post period;
- Environmental Licence issued for Tongo paving way for issuing of the large scale mining licence subject to licence fee payment being made;
- Post-period announcement of a possible offer for the issued and to be issued share capital of Stellar by ASX listed Newfield Resources Limited (”Newfield Resources”) with the intention to fund the commercial development of the Tongo-Tonguma mine.

Financial Highlights

- Placing of £330,000 and an oversubscribed open offer raising £200,000 completed;
- Receipt of final funds related to Guinea transaction, bringing total gross consideration to US$1,250,000 (including exclusivity payment of US$250,000 received pre-interim report period);
- Repayment of US$1.24m convertible loan note (“CLN”) and issue of a US$1,340,000 CLN during period;
- Amendments to US$1,650,000 and US$1,340,000 CLN’s made with repayment longstop dates extended to 30 April 2018 and 31 March 2018 respectively for the completion of the Tongo-Tonguma tribute mining agreement and securing of the project funding as defined in the CLN agreements;
- US$3 million unsecured loan received from Newfield Resources post period, funds used towards commencement of the Front End Engineering Design (“FEED”), mine plan drilling, payment of certain licence fees, certain creditors and transaction fees.

Stellar Diamonds Chief Executive Karl Smithson commented, “The interim reporting period has primarily been focussed on sourcing the necessary funding to bring the Tongo-Tonguma project into production. The capital markets in the UK have proven extremely difficult to raise funds for junior mining companies in recent years. Furthermore, the market capitalisation of Stellar during the last six months hovered around the US$2 million level, which provided additional challenges of raising capital to develop the mine in Sierra Leone. However, we were pleased to report on 1st February 2018 that a possible share offer to acquire Stellar by ASX listed Newfield Resources, at a significant premium for Stellar shareholders, was received which, if successful and alongside a planned fundraise by Newfield Resources, would also bring the required project development capital for Tongo-Tonguma. Alongside any possible offer for the Company and subsequent to the period ended 31 December 2017, Newfield Resources has advanced to Stellar an unsecured US$3 million loan with which to primarily commence the FEED programme, mine plan drilling and, as a result of the recent completion of the tribute mining agreement, payment of Tonguma mining licence fees of US$1.25 million (covering the period up to July 2018). The loan will also be used to pay legal and corporate financial advisor costs including those related to the possible offer for the Company. Working capital will therefore remain constrained as we continue discussions with Newfield Resources regarding the possible offer.

“In addition, Stellar completed the disposal of its Guinea assets and three Guinean subsidiary companies to BDG Capital in return for an overall payment of US$1.25 million, meaning Stellar can focus its resources on the Tongo-Tonguma project in Sierra Leone.”

Chairman’s Statement

Stellar achieved two key milestones in the interim reporting period and beyond. Firstly, we were able to successfully conclude the disposal of our Guinean assets and subsidiary companies for a total transaction price of US$1.25 million (with cash received of US$0.87 million in total after payment of taxes, retrenchments, certain creditors and other exit related costs), thus securing our orderly exit from Guinea to focus on Sierra Leone. Secondly, our innovative approach has led us to securing the potential funding for the Tongo-Tonguma project via a proposed offer by Newfield Resources to acquire the issued and to be issued share capital of Stellar by means of a ‘scheme of arrangement’, which, if successful, will bring in the required development capital for the project in Q2-18.

Tongo-Tonguma Project, Sierra Leone

Just before the interim period commenced, Stellar signed a conditional Tribute Mining and Revenue Share Agreements with Octea Mining, which was formally completed on 28 February 2018. The combined resource of Tongo-Tonguma is established at 4.5 million carats, of which 4 million carats is estimated to be recovered during the initial 21 year life-of-mine. The recoverable diamond grades of the kimberlites in resource range from 100 carats per hundred tonnes (cpht) to 260 cpht and modelled diamond values range from US$209 per carat to US$310 per carat. A preliminary economic assessment by Paradigm Project Management (“PPM”) has established a pre-tax NPV(10) of US$172million with an IRR of 49%. Stellar has calculated the potential post-tax returns based on certain assumptions and the fiscal terms of the Tonguma mine lease and Sierra Leone Income Tax Act (2000) as amended, and estimates the post-tax NPV(8) and IRR of US$113 million and 31% respectively to Stellar.

Resource consultants Mineral Services Canada has also identified an exploration target of a further 8 million carats not currently in the mine plan, representing significant additional upside if brought into future development plans.

During the reporting period Stellar secured an environmental licence for its Tongo permit and now the mining licence, which was earlier approved, can be issued subject to Stellar paying the required annual licence fee. The fee, of approximately US$0.55 million, is expected to be paid when the Company has secured the necessary project funding.

Before the interim period, Stellar and PPM signed a contract for the Front End Engineering Design which is effectively the first step in the mine development. Post the interim period ended 31 December 2017, this FEED programme commenced and a site visit was undertaken by PPM. The FEED process is expected to take approximately four months to complete after which a refined capital and operating budget, mine plan and project execution plan will be presented.

Guinea Assets Disposal

In order to focus our resources, the Board took the decision to dispose of the Company's Guinea portfolio of three licences and associated assets in the first half of 2017 to BDG Capital. Following due diligence, the final price was agreed at US$1.25 million of which US$0.5m was received before the interim period with the balance during the interim period, some of which was used to settle employee and tax liabilities in Guinea.

Kumgbo Project, Liberia

No further work was conducted on the Kumgbo Project licences in Liberia due to limited financial resources and a focus on disposing of the Guinea assets and securing the funding for the Tongo-Tonguma development. The Board remains positive about the prospectivity of the Kumgbo licences and will either try to secure a joint venture partner or allocate some funds towards exploration in 2018, if the possible offer for the Company by Newfield Resources progresses.

Diamond Market

Rough diamond demand and pricing has started on a positive footing in 2018. This is driven somewhat by positive festive season sales, increasing polished demand and a reduction of rough diamond inventory over the past twelve months. Most producing companies are reporting positive rough diamond sales in the first quarter of 2018.

Global rough diamond supply is estimated to decline by 2.4% to 147 million carat in 2018 as no new production is expected to come on stream and Russian production is forecast to decrease. The long term outlook for rough production remains one of decreasing carats as the older mines approach the end of life. However, one new discovery in Angola by Alrosa (Luaxe) has the potential to be a 10 million carat per year producer after 2020. Nevertheless, this is unlikely to provide an oversupply of rough in the long term and therefore the outlook remains one of positive sentiment for diamonds.

Outlook

Stellar Diamonds is currently in discussions about a possible share offer by Newfield Resources by means of a scheme of arrangement at a significant premium to the Stellar Diamonds share price before the possible offer was first announced on the 1 February 2018. If the scheme of arrangement is successful, Stellar shareholders will exchange their Stellar shares for Newfield Resources shares. The key to this proposed transaction is the funding that Newfield Resources intends to commit to develop of the Tongo-Tonguma mine. Further announcements will be made in due course.

I would like to take this opportunity to thank all our shareholders, management and employees for their support through very challenging times.

Lord Daresbury
Non-Executive Chairman

**** ENDS ****

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 and has been arranged for release by Karl Smithson, Chief Executive Officer of the Company.

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Condensed consolidated statement of comprehensive loss (unaudited)
for the six months ended 31 December 2017
(Stated in U.S. dollars)

	Notes	Six months ended 31 December 2017 (unaudited)	Six months ended 31 December 2016 (unaudited)	Year Ended 30 June 2017 (audited)
Revenue		-	-	-
Cost of sales		-	-	-
Gross loss		-	-	-
Depreciation of plant and equipment		(352)	(503)	(1,007)
Administrative expenses		(619,732)	(545,810)	(1,533,675)
Finance costs		(318,039)	(297,640)	(730,085)
Remeasurement of derivatives		-	5,808	12,504
Other income		-	175,000	-
		(938,123)	(663,145)	(2,252,263)
Loss before tax		**(938,123)**	**(663,145)**	**(2,252,263)**
Income tax expense		-	-	-
Loss from continuing operations		(938,123)	(663,145)	(2,252,263)
Loss on discontinued operations	6	(46,805)	-	(6,928,025)
Loss after tax attributable to equity holders of the parent		**(984,928)**	**(663,145)**	**(9,180,288)**
Total comprehensive expense for the year attributable to equity holders of the parent		**(984,928)**	**(663,145)**	**(9,180,288)**
Basic and diluted loss per share		**(0.019)**	**(0.021)**	**(0.260)**
Basic and diluted loss per share on continuing operations		**(0.018)**	**(0.021)**	**(0.064)**

Condensed consolidated statement of financial position (unaudited) as at 31 December 2017

(Stated in U.S. dollars)

	Notes	31 December 2017 (unaudited)	31 December 2016 (unaudited)	30 June 2017 (audited)
Assets				
Non-current assets				
Intangible assets	3	8,561,522	13,757,565	7,583,915
Property, plant and equipment	4	55,831	1,221,224	63,810
Total non-current assets		**8,617,353**	**14,978,789**	**7,647,725**
Current assets				
Trade and other receivables		31,304	380,271	41,062
Cash and cash equivalents		52,824	89,954	169,505
Assets in Disposal Groups classified as held for sale	6	-	-	920,911
Total current assets		84,128	**470,225**	**1,131,478**
Total assets		**8,701,481**	**15,449,014**	**8,779,203**
Equity and liabilities				
Capital and reserves				
Share capital		27,263,698	26,887,434	27,023,701
Share premium		31,542,593	30,449,207	31,042,176
Reverse acquisition reserve		17,073,279	17,073,279	17,073,279
Share option reserve	7	24,823	918,279	918,279
Accumulated loss		(71,657,046)	(63,073,254)	(71,590,397)
Total equity		**4,247,347**	**12,254,945**	**4,467,038**
Non-current liabilities				
Convertible loan	5	-	1,284,902	-
Provision		-	104,369	-
Total non-current liabilities		**-**	**1,389,271**	**-**
Current liabilities				
Trade and other payables		1,124,240	540,054	1,367,072
Convertible loan	5	3,229,904	1,158,048	2,845,103
Loans		99,990	100,000	99,990
Derivative financial instruments		-	6,696	-
Total current liabilities		**4,454,134**	**1,804,798**	**4,312,165**
Total liabilities		**4,454,134**	**3,194,069**	**4,312,165**
Total equity and liabilities		**8,701,481**	**15,449,014**	**8,779,203**

Company registration number: 5424214

Condensed consolidated statement of changes in equity (unaudited) as at 31 December 2017

(Stated in U.S. dollars)

	Share Capital	Share premium	Share option reserve	Reverse acquisition reserve	Accumulated loss	Total equity
Balance at 1 July 2016	26,887,434	30,449,207	918,279	17,073,279	(62,410,109)	12,918,090
Total comprehensive loss for the year	-	-	-	-	(9,180,288)	(9,180,288)
Issue of placing shares	136,267	613,202	-	-	-	749,469
Share issue costs	-	(20,233)	-	-	-	(20,233)
Balance as at 30 June 2017	**27,023,701**	**31,042,176**	**918,279**	**17,073,279**	**(71,590,397)**	**4,467,038**
Total comprehensive loss for the period	-	-	-	-	(984,928)	(984,928)
Issue of placing shares	239,997	539,994	-	-	-	779,991
Share issue costs	-	(39,577)	-	-	-	(39,577)
Cancellation of share options	-	-	(918,279)	-	918,279	-
Issue of new share options	-	-	24,823	-	-	24,823
Balance at 31 December 2017	**27,263,698**	**31,542,593**	**24,823**	**17,073,279**	**(71,657,046)**	**4,247,347**

Condensed consolidated statement of cash flows (unaudited)
For the six months ended 31 December 2017
(Stated in U.S. dollars)

	Six months ended 31 December 2017 (unaudited)	Six months ended 31 December 2016 (unaudited)	Year ended 30 June 2017 (audited)
Cash flows from operating activities:			
Net loss for the period	(984,928)	(663,145)	(9,180,288)
Adjustments for:			
Depreciation of property, plant and equipment	352	503	1,007
Issue of share options	24,823	-	-
Impairment on classification as disposal group	-	-	6,905,703
Reversal of rehabilitation provisions	-	-	(104,369)
Shares issued to directors in lieu of fees	65,308	-	90,332
Remeasurement of derivatives	-	(5,808)	(12,504)
Net foreign exchange loss / (gain)	32,769	(96,571)	(102,461)
Interest charge	318,040	297,640	730,085
Change in working capital items:			
Decrease / (Increase) in receivables	9,757	(83,987)	255,222
Decrease in inventories	-	26,934	26,934
Increase in trade and other payables	61,875	126,222	703,240
Net cash used in operations	(472,004)	(398,212)	(687,099)
Cash flows from investing activities			
Payments to acquire intangible assets	(969,979)	(400,469)	(896,552)
Disposal of Guinea assets	616,203	-	250,000
Net cash used in investing activities	(353,776)	(400,469)	(646,522)
Cash flows from financing activities			
Proceeds on Convertible loan	100,000	639,310	600,000
Proceeds from issue of share capital, net of costs	675,106	-	638,904
Interest paid	(33,238)	-	(47,965)
Net cash generated by financing activities	741,868	639,310	1,190,939
Net decrease in cash and cash equivalents	(83,912)	(159,371)	(142,682)
Cash and cash equivalents, beginning of period	169,505	268,330	268,330
Effect of foreign exchange rate changes	(32,769)	(19,006)	43,857
Cash and cash equivalents, end of period	52,824	89,953	169,505

Notes to the consolidated financial statements (unaudited) for the six months ended 31 December 2017

(Stated in U.S. dollars)

1. Basis of presentation

Stellar Diamonds plc (the "Company" or "Stellar" or on a consolidated basis the "Group") is presenting unaudited financial statements as of and for the six months ended 31 December 2017. The comparative periods presented are the audited financial statements as of and for the year ended 30 June 2017 and the unaudited financial statements as of and for the six months ended 31 December 2016.

The information for the six months ended 31 December 2017 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 June 2017 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 and the valuation of intangible assets 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.

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.

The going concern of the Group is dependent on obtaining additional finance in order to meet its working capital needs for a period of not less than twelve months from the date of approval of the financial statements and to continue to fund development of exploration projects. This indicates the existence of material uncertainties which may cast significant doubt on the ability of the Company and the Group to continue as a going concern, and hence may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company announced on the 1 February 2018 a possible all share offer by a scheme of arrangement for Stellar by Newfield Resources, which, if successful, would result in Stellar shares being exchanged for Newfield shares. As part of this transaction Newfield is undertaking a series of placements and rights issue to raise a cumulative A$40 million, most of which would be used to develop the Tongo-Tonguma project in Sierra Leone. Subject to the scheme of arrangement proceeding and completion of the fundraises by Newfield, existing Stellar shareholders and holders of rights over Stellar shares would hold a combined 16.4% of the enlarged Newfield Resources.

However, should the scheme of arrangement not be successful, the Directors believe that, since the tribute mining agreement with Octea was closed on 28 February 2018, the Company will have the ability to access sufficient levels of finance to fund the capital expenditure requirements at Tongo-Tonguma, and to meet essential administrative expenses for the foreseeable future. However there is no guarantee that Stellar will be able to find either the short term funding or longer term debt and equity funding necessary to continue operating and to bring the Tongo-Tonguma Project into production. The financial statements do not include any adjustment to the carrying amount or classification of assets and liabilities that would occur if the Company was unable to continue as a going concern.

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 plc's latest audited financial statements as of and for the year ended 30 June 2017.

2. Segments

During the period the Company engaged in the acquisition, exploration, development and production of diamond properties in the West African countries of Sierra Leone, Liberia (nil expenditure) and Guinea. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the individual projects in geographical locations. In the case of the Guinea based projects, during the period the Guinea based assets were disposed of and therefore the disposal group has been removed with a final loss on discontinued operations recognised. The reportable segments under IFRS 8 are therefore as follows:

- Kono (Sierra Leone);
- Tongo (Sierra Leone);
- Guinea Disposal Group (Guinea);
- Corporate and other exploration activities.

Following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment for the six months ended 31 December 2017:

	Guinea disposal Group $	Kono $	Tongo $	Corporate and other $	Total $
Revenue – sale of diamonds	-	-	-	-	-
Segment result	-	(11,148)	(86,143)	(522,792)	(620,083)
Finance costs	-	-	-	-	(318,040)
Loss before tax	-	-	-	-	(938,123)
Income tax expense	-	-	-	-	-
Loss after tax	-	-	-	-	(938,123)
Loss on discontinued operations	(46,805)	-	-	-	(46,805)
Loss after tax and discontinued operations	(46,805)	(11,148)	(86,143)	(522,792)	(984,928)
Segment assets	-	1,847	7,888,927	810,707	8,701,481
Segment liabilities	-	(5,726)	(61,121)	(4,387,287)	(4,454,134)
Carrying value of intangible assets	-	-	7,792,664	768,858	8,561,522
Net book value of property, plant and equipment	-	1,677	43,240	10,914	55,831
Capital additions – intangible assets	-	-	254,309	723,298	977,607
Depreciation of property, plant and equipment	-	296	7,627	56	7,979

Following is an analysis of the Group's revenue and results by reportable segment for the year ended 30 June 2017:

	Guinea disposal Group $	Kono $	Tongo $	Corporate and other $	Total $
Revenue – sale of diamonds	-	-	-	-	-
Segment result	-	(38,943)	19,278*	(1,515,018)	(1,534,683)
Finance costs	-	-	-	-	(730,085)
Remeasurement of derivatives	-	-	-	-	12,504
Loss before tax	-	-	-	-	(2,252,264)
Income tax expense	-	-	-	-	-
Loss after tax	-	-	-	-	(2,252,264)
Loss on discontinued operations	(6,928,024)	-	-	-	(6,928,024
Loss after tax and discontinued operations	(6,928,024)	(38,943)	19,278*	(1,515,018)	(9,108,288)
Segment assets	920,911	2,146	7,641,649	214,497	8,779,203
Segment liabilities	-	(5,726)	(54,099)	(4,252,340)	(4,312,165)
Carrying value of intangible assets	-	-	7,538,355	45,560	7,583,915
Net book value of property, plant and equipment	-	1,973	50,867	10,970	63,810
Assets in Disposal Groups classified as held for sale	920,911	-	-	-	920,911
Capital additions – intangible assets	926,161	-	409,597	-	1,335,758
Depreciation of property, plant and equipment	405,783	846	46	161	428,501

* The profit shown for Tongo relates entirely to foreign currency gains recognised on transfers of US Dollars in Sierra Leonean Leones in the year.

3. Intangible assets

	Six months ended 31 December 2017	Year ended 30 June 2017
	$	$
Exploration and evaluation expenditure		
Cost		
Opening balance	28,173,421	35,729,205
Additions	977,607	335,759
Transfers to disposal group	-	(8,891,543)
Closing balance	29,151,028	28,173,421
Impairment		
Opening balance	20,589,506	22,589,506
Transfer to disposal group	-	(2,000,000)
Closing balance	20,598,506	20,589,506
Carrying value	8,561,522	7,583,915

4. Property, plant and equipment

	Mining assets	Machinery and equipment	Total
	$	$	$
Cost			
At 1 July 2016	11,079,305	9,593,335	20,692,640
Additions	-	-	-
Disposal	-	(125,607)	(125,607)
Transfer to disposal group	(11,079,305)	(8,965,065)	(20,044,370)
At 30 June 2017	-	502,663	502,663
At 31 December 2017	-	502,663	502,663
Depreciation			
At 1 July 2016	11,079,305	8,154,211	19,233,516
Charge for the year	-	428,560	428,560
Depreciation on disposals	-	(113,923)	(113,923)
Transfer to disposal group	(11,079,305)	(8,029,995)	(19,109,300)
At 30 June 2017	-	438,853	438,853
Charge for the period	-	7,979	7,979
At 31 December 2017	-	446,832	446,832
Net book value			
At 31 December 2017	**-**	55,831	55,831
At 30 June 2017	-	63,810	63,810

5. Convertible loan

Convertible loan:	Deutsche Balaton convertible loan $	Other convertible loan $	Total $
Balance brought forward at 1 July 2017	1,485,978	1,359,125	2,845,103
Interest expense	-	154,017	154,017
Effective interest charged in the period	164,022	-	164,022
Interest paid	-	(33,238)	(33,238)
Repayment of convertible loan	-	(1,242,183)	(1,242,183)
Issue of new convertible loan	-	1,342,183	1,342,183
Presented as current loans and borrowings at 31 December 2017	1,650,000	1,579,904	3,229,904

Deutsche Balaton convertible loan

On 12 December 2017 the Company and Deutsche Balaton agreed an extension of the convertible loan note to 31 March 2018 and agreed no interest would be recognised beyond this date. There was also an amendment in the definition of “Transaction Default” to being upon the occurrence of the earlier of the Transaction failing to complete or upon the Company announcing the termination of the Transaction on or before 31 March 2018. Additionally it was agreed that the definition of “Placement Price” be amended to:

a) 5 pence; or
b) the VWAP of the next US$2 million in equity raised; or
c) the VWAP of the first US$10 million in equity raised after 1 February 2017; or
d) 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.

Should the transaction fail then the terms would revert to the original terms of the agreement as disclosed in the financial statements for the year ended 30 June 2017.

Other convertible loan

On 27 July 2017 the Company repaid in full the $1.24m convertible loan note disclosed in note 19 and replaced it with a $1.34m convertible loan note with the same parties, with Steven Poulton and Creditforce each adding $50,000 to their original loan amounts. The key terms of the $1.34m convertible loan mirrored the $1.24m convertible loan with the following changes:

- Change in the definition of the “Transaction” (or “Potential Transaction”) for the purposes of the $1.34 million CLN to the completion of the Tribute Mining Agreement with Octea Mining Limited over the Tonguma kimberlite project in Sierra Leone and the raising of at least US$35,000,000 in debt or equity finance;
- Change in the conversion period for the $1.34 million CLN to the period commencing on the later of i) the earlier of the date on which the Transaction completes (or the date on which the Company makes an announcement 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);
- Change in the definition of “Transaction Default” to being upon the occurrence of the earlier of the Transaction failing to complete or upon the Company announcing the termination of the Transaction on or before 31 December 2017;

- Change in the definition of "Subscription Price" of the CLN Warrants (as such warrants are defined in the 6 October 2016 announcement) to the lower of: 5 pence or the Transaction Price (as defined below).
- The Transaction Price is defined as the lower of:
  a) the VWAP of the next US$2 million in equity raised; or
  b) the VWAP of the first US$10 million in equity raised after 1 February 2017; or
  c) 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.
- Change in the definition of the "Default Subscription Price" (or "Alternative Subscription Price") (being the conversion price and subscription price in respect of the $1.24 million CLN and CLN Warrants respectively in the event of Transaction Default) to the lower of 70% of: 5 pence or the 3 or 45 day VWAP prior to notice of exercise of the warrants.
- Amendment of Subscription Price of the Repayment Warrants (as such warrants are defined in the announcement dated 6 October 2016) to 70 percent of the Transaction Price or, in the event that a Transaction Default has occurred the Default Subscription Price.

On 12 December 2017 the Company and CLN noteholders of the $1.34 million CLN Noteholders agreed a change in the definition of "Transaction Default" to being upon the occurrence of the earlier of the Transaction failing to complete or upon the Company announcing the termination of the Transaction on or before 30 April 2018.

6. Assets in Disposal Groups classified as held for sale

On the 8 December 2017 the Company completed the sale of its Guinea assets with total gross proceeds of $1.25 million in order to focus its efforts on the near term production of the Tongo-Tonguma mine. In the financial statements for the year ended 30 June 2017 the Droujba, Mandala and Baoulé projects and assets were classified as a Disposal Group and accounted for accordingly and these were disposed of during the current period. For the period ended 31 December 2017 further costs of $46,805 were incurred in relation to the Guinea assets which are recognised as discontinued operations.

7. Share options

The share option reserve represents the value of the share options issued to the Group's Directors and employees under the Group's share option scheme.

On the 20 December 2017 the Company cancelled all 1,013,000 existing share options over ordinary shares and granted 5,250,000 ordinary shares of £0.01 each in aggregate to certain Directors and employees. The new options have an exercise price of 3.25 pence per Ordinary Share. The New Options are exercisable for a period of 5 years from the date of grant. One third of the New Options will vest immediately, one third in six months and one third in twelve months. The exercise price represents a premium of 30% to the closing share price of 2.50p per share on 19 December 2017. A share based payment charge of $24,823 has been recognised during the period.

The following is a summary of the share options outstanding and exercisable as at 31 December 2017 and 30 June 2017 and changes during the period.:

	Number of share options period ended 31 December 2017	**WAEP GBP £ Pence 2017**	**Number of share options year ended 30 June 2017**	**WAEP GBP £ pence 2016**
Outstanding at beginning of the period	1,013,000	83.8	1,013,000	83.8
Granted during the period	5,250,000	3.25	-	-
Cancelled during the period	(1,013,000)	83.8	-	-
Outstanding at end of the period	5,250,000	3.25	1,013,000	83.8
Exercisable at end of the period	1,750,000	3.25	1,013,000	83.8

The expiry date of all share options are 19 December 2022.

8. Post balance sheet events

On 1 February 2018, the Company confirmed it is in advanced negotiations regarding a possible share offer for the entire issued and to be issued share capital of the Company by Newfield Resources Limited. Under the Possible Offer, Stellar shareholders and the holders of rights over Stellar ordinary shares would receive in aggregate approximately 95 million shares in Newfield Resources ("Consideration Shares"), expected to equate to approximately 16.4% of the enlarged share capital of Newfield Resources assuming completion of the Newfield Resources Financings (as defined below) and the Possible Offer. Stellar shareholders would receive approximately 0.76 of a Newfield Resources share for each Stellar share held ("Possible Offer Ratio").

On 9 February 2018, the Company received an unsecured $3 million loan from Newfield Resources. The loan will be used for commencement of work on the Front End Engineering Design stage of the mine plan for the Tongo-Tonguma project, mine plan drilling, payment of certain licence fees as reported above and other creditors and transaction related costs.

9. The Company's unaudited six month results to 31 December 2017 will be available to download from the Company's website at www.stellar-diamonds.com.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014