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04 March 2011

AIM: STEL

**Stellar Diamonds plc
("Stellar" or the "Company")**

INTERIM UNAUDITED SIX MONTH RESULTS TO 31 DECEMBER 2010

Stellar Diamonds plc, the London listed (AIM:STEL) diamond mining and exploration company focused on West Africa, announces its Interim unaudited six month results to 31st December 2010.

Financial Highlights

- £1.9m placement in October 2010 successfully used to advance the Tongo and Droujba kimberlite projects
- Cash position at 31 December 2010 of US\$1.3 million (unaudited), US\$0.7 million as at 30 June 2010
- Net assets reduced by US\$0.8m from US\$23.1m to US\$22.3m mainly due to a depreciation charge of US\$1.1m
- Loss per share reduced to US\$0.03 from US\$0.06

Operational Highlights

- 3,000m drilling programme at Droujba kimberlite in southeastern Guinea commenced in November 2010
- Droujba pipe is larger than expected and initial modeling has been conducted to 120m depth
- Micro-diamond analysis of the first 300kg of drill-core indicate Droujba is potentially significantly diamondiferous
- 2,000 carat bulk sampling at Tongo kimberlite project in progress in eastern Sierra Leone
- Tongo returning above expected grades and values per carat
- Production at Mandala was 28,561cts at a grade of 21 cpht and 721cts at Bomboko at a grade of 2.7 cpht
- Diamond sales of US\$971,561, with 28,967cts from Mandala at US\$26.94/ct and 1,664cts at Bomboko at US\$114.82/ct
- Alluvial operations underperformed against expectations, strategic focus on kimberlite portfolio

Karl Smithson, Chief Executive Officer, commented:

"Stellar is focussed on unlocking the potential of its kimberlite portfolio, which includes some of the highest grade and highest value per ton of ore projects globally. After a challenging period, with diamond prices coming off their lows, the Company is going through an exciting transformation. We have recently reported excellent results from the Company's kimberlite drilling and bulk sampling programmes and I look forward to building on this progress through 2011 which will position Stellar as a leading diamond company in Africa."

About Stellar Diamonds plc

Stellar is a London (AIM: STEL) listed diamond development company that has a portfolio of projects in West Africa. Tongo, Kono, Droujba and Bouro are all potentially high grade kimberlites that are at various stages of development. Stellar is currently focussing on a bulk sampling project at Tongo in Sierra Leone and completing an initial drill project and diamond evaluation of the Droujba kimberlite pipe in Guinea.

For further information please contact the following or visit the Company's website at www.stellar-diamonds.com.

In accordance with the AIM Rules, the information in this announcement has been reviewed by Karl Smithson, CEO of Stellar, a qualified geologist with 22 years' experience.

Stellar Diamonds plc

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Chairman's statement for the six month period ending 31 December 2010

Operational Review

During the period under review Stellar has made excellent progress on its kimberlite portfolio in Guinea and Sierra Leone, while its alluvial mining operations in Guinea did not perform as well as expected.

Kimberlite portfolio

In line with the Company's longer term strategy of delivering value from its four high-grade kimberlite projects, bulk sampling continued on the Tongo kimberlite dyke project and drilling commenced on the Droujba kimberite pipe project in Guinea.

At Tongo, collection of a 2,000 carat bulk sample was undertaken through drilling, blasting and extraction of kimberlite from the Dyke 1 kimberlite. A 5 ton per hour processing plant was purchased and relocated from the Company's former joint venture project in Liberia. This plant was erected on site and commissioned in early 2011. Initial processing results were reported in early February 2011 and encouraging diamond grades of 130cpht were yielded for Dyke 1. The sampling and processing of the kimberlite bulk sample will continue through Q1-2011 and diamonds produced will be exported to Antwerp for valuation and sale in order to determine the diamond value of the kimberlite. A previous but relatively small diamond parcel exported from Tongo in 2008 was recently re-valued at US\$169 per carat, suggesting a potentially high diamond value for the kimberlite.

At Droujba a 3,000m diamond core drilling programme commenced in November 2010 and at the time of writing some 2,500m of drilling has been completed. The drilling has intersected the Droujba kimberlite pipe to a depth of 120m and the pipe remains open at depth. Interestingly an extension (or hidden kimberlite ore body) was intersected at depth to the south west of the main pipe. Further drilling is required to better define this new body or extension. A selection of drill core was consigned to Canada for microdiamond analysis and results were received in January 2011. These results indicate that the Droujba pipe is potentially significantly diamondiferous. It was also encouraging to see that a number of "commercial sized macrodiamonds" (i.e. diamonds in the +0.85mm size fraction) were recovered from the small sample processed.

The drilling at Droujba will be completed towards the end of Q1-2011 and further diamond analysis will be undertaken. These results will dictate the next phase(s) of work which are likely to include deeper drilling to below 200m depth and bulk sampling in order to determine the diamond grade and value of the Droujba pipe. This work is expected to take a further twelve months to achieve and could lead to an initial resource statement for the pipe.

The Kono kimberlite dyke project in Sierra Leone remained on care and maintenance for the period under review, however the Company considers the project a fundamentally important asset which will be re-opened to continue trial mining when finance permits. The Bouro project which is located to the immediate north of Mandala also remains firmly on the agenda for Stellar and a bulk sampling exercise commenced in February 2011, in order to determine the initial diamond grade and value for this 5km long kimberlite dyke.

Alluvial diamond operations

At Mandala, despite the unusually long rainy season, the Company significantly increased volume throughput at the processing plant, as new capital was introduced in July. However the diamond grades recovered at 21cpht were below the project average of 32cpht. Nevertheless a total of 28,561 carats were produced from Mandala during the six month period. At Bomboko the trial mining was suspended for the period of August to October due to the inaccessibility of the mining areas caused by heavy rains. The company took this opportunity to upgrade the plant facilities at Bomboko to make the processing more efficient and secure. Trial mining at Bomboko resumed in November 2010 and over the period a total of 721 carats were produced as part of a resource definition exercise.

Total diamond sales for the period were US\$971,561. Of this, Mandala sales comprised 28,967 carats at an average value of US\$26.94 per carat and Bomboko sales comprised 1,664 carats at an average value of US\$114.82.

Subsequent to the report period the diamond grades at Mandala continued to remain below economic thresholds and the Company will target a new and previously inaccessible resource area that is modelled to have a higher grade. Should this higher grade not be realised from future work then the Company may

take a decision to place the project on care and maintenance and focus its full human and financial resources on the development of its kimberlite assets.

Share Placement

In October 2010 the Company completed a £1.9 million financing. The placing funds were allocated to advancing the Tongo and Droujba kimberlite projects, as described above. The placement was completed at a price of 5p per share with existing and new institutional as well as private investors. Each placing share incorporated a half warrant, priced at 12p for a period of 18 months from placing. Subsequent to this placement a significant increase in liquidity has arisen in the trading of Stellar shares and average daily volumes of over 1 million shares traded are not unusual.

Outlook

The Company remains encouraged about the outlook for the diamond sector after a challenging period for the sector. We have seen strong demand for recent diamond sales and record prices of over US\$200 per carat for Bomboko goods have been achieved. The Directors concur with the view of most diamond and industry analysts that suggest the diamond market will remain robust for 2011 and that the fundamentals of rough diamond supply and demand remain favourable for the medium to long term with strong growth from emerging markets and a rebound from the important US market. Stellar's strategy therefore remains to position the Company as a significant diamond producer from one or more of its four core kimberlite assets.

During 2011 Stellar hopes to continue delivering excellent results from Tongo and Droujba that could prove catalysts for substantial value creation in the Company during the year. The objective at Tongo is to commence underground bulk sampling through shaft sinking and opening up development drives at 30m and 60m depth. This will enable the collection of larger tonnage bulk samples with which to provide more information on diamond grade and value, as well as underground mining conditions. At Droujba the objectives are to drill to at least 200m depth and define a geological (tonnage) resource model to that depth. Bulk sampling from surface will be undertaken to attempt to define with necessary confidence the diamond grade and value of the pipe from surface. These work plans are subject to the necessary financing being achieved to pursue the objectives.

I would like to take this opportunity to thank our shareholders for their continued support. I believe that Stellar is going to have an exciting year that will see intrinsic value unlocked from the projects as they are advanced and I look forward to the Company being in a position to announce favourable results as the coming year progresses.

Lord Daresbury
Non-Executive Chairman
03 March 2011

Stellar Diamonds plc

Condensed consolidated statement of comprehensive loss (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

	Notes	Six months ended 31 December 2010 (unaudited)	Nine months ended 30 June 2010 (audited)	Six months ended 31 March 2010 (unaudited)
Revenue	2	971,561	2,032,762	1,194,853
Cost of sales		(2,783,010)	(4,233,730)	(2,587,518)
Gross loss		(1,811,449)	(2,200,968)	(1,392,665)
Administrative expenses		(2,107,400)	(3,201,700)	(1,921,693)
		(3,918,849)	(5,402,668)	(3,314,358)
Finance income		-	317	317
Finance costs		(60,545)	(168,080)	(171,095)
Loss before tax		(3,979,394)	(5,570,431)	(3,485,136)
Income tax expense		-	-	-
Loss after tax attributable to equity holders of the parent		(3,979,394)	(5,570,431)	(3,485,136)
Total comprehensive loss for the period attributable to equity holders of the parent		(3,979,394)	(5,570,431)	(3,485,136)
Weighted average number of shares		117,908,452	64,451,236	56,444,240
Basic and diluted loss per share		(0.03)	(0.09)	(0.06)

Stellar Diamonds plc

Condensed consolidated statement of financial position (unaudited) As at 31 December 2010

(Stated in U.S. dollars)

	Notes	31 December 2010 (unaudited)	30 June 2010 (audited)	31 March 2010 (unaudited)
Assets				
<i>Non-current assets</i>				
Intangible assets	3	5,366,860	4,943,544	3,625,717
Property, plant and equipment	4	16,250,264	17,057,939	17,456,932
Total non-current assets		21,617,124	22,001,483	21,082,649
<i>Current assets</i>				
Inventories		228,069	357,499	465,456
Receivables	5	115,355	841,868	1,029,948
Cash and cash equivalents		1,276,769	689,650	2,533,723
Total current assets		1,620,193	1,889,017	4,029,127
Total assets		23,237,317	23,890,500	25,111,776
Equity and liabilities				
<i>Capital and reserves</i>				
Share capital	6	10,483,407	7,875,264	7,624,710
Share premium	6	22,023,543	22,023,543	21,883,734
Reverse acquisition reserve		17,073,279	17,073,279	16,800,372
Warrant reserve	6	464,058	143,024	412,825
Share option reserve	7	3,906,737	3,610,185	3,127,249
Convertible loan reserve	8	87,853	87,853	87,853
Accumulated loss		(31,691,819)	(27,712,425)	(25,896,931)
Total equity		22,347,058	23,100,723	24,039,812
<i>Non-current liabilities</i>				
Convertible loan	8	-	397,209	397,209
Provision		54,369	54,369	54,369
Total non-current liabilities		54,369	451,578	451,578
<i>Current liabilities</i>				
Trade and other payables		397,059	338,199	620,386
Convertible loan	8	438,831	-	-
Total current liabilities		835,890	338,199	620,386
Total liabilities		890,259	789,777	1,071,964
Total equity and liabilities		23,237,317	23,890,500	25,111,776

Company registration number: 5424214

Stellar Diamonds plc

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 31 December 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 30 September 2009	956,474	31,272,947	269,801	2,709,261	87,853	166,672	(22,411,795)	13,051,213
Total comprehensive income for the period	-	-	-	-	-	-	(5,570,431)	(5,570,431)
Issue of shares to directors	335	33,131	-	-	-	-	-	33,466
Conversion of debt to equity	9,049	895,868	-	-	-	-	-	904,917
Reverse acquisition adjustment	4,623,043	(16,443,279)	-	639,292	-	16,906,607	-	5,725,663
Issue of placing shares	1,951,938	5,784,958	-	-	-	-	-	7,736,896
Share warrants issued	-	(143,024)	143,024	-	-	-	-	-
Share issue costs	-	(380,023)	-	-	-	-	-	(380,023)
Re-pricing of Stellar Diamonds Limited share options	-	-	-	261,632	-	-	-	261,632
Shares issued to directors on admission to AIM	8,784	26,044	-	-	-	-	-	34,828
Other shares issued	325,641	976,921	-	-	-	-	-	1,302,562
Expired warrants	-	-	(269,801)	-	-	-	269,801	-
Balance at 30 June 2010	7,875,264	22,023,543	143,024	3,610,185	87,853	17,073,279	(27,712,425)	23,100,723
Total comprehensive income for the period	-	-	-	-	-	-	(3,979,394)	(3,979,394)
Issue of shares on private placement (note 6)	3,078,603	-	-	-	-	-	-	3,078,603
Share warrants issued (note 6)	(321,034)	-	321,034	-	-	-	-	-
Share issue costs (note 6)	(161,076)	-	-	-	-	-	-	(161,076)
Other shares issued (note 6)	11,650	-	-	-	-	-	-	11,650
Share options issued (note 7)	-	-	-	296,552	-	-	-	296,552
Balance at December 31 2010	10,483,407	22,023,543	464,058	3,906,737	87,853	17,073,279	(31,691,819)	22,347,058

Stellar Diamonds plc

Consolidated statement of cash flows (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

	Six months ended 31 December 2010 (unaudited)	Nine months ended 30 June 2010 (audited)	Six months ended 31 March 2010 (unaudited)
Cash flows from operating activities:			
Net loss for the period	(3,979,394)	(5,570,431)	(3,485,136)
Adjustments for:			
Depreciation of property, plant and equipment	1,052,149	1,563,844	834,842
Share-based payment expense	296,552	261,632	261,631
Shares issued to directors and officers	11,650	34,828	34,828
Interest income	-	(317)	(317)
Interest expense	60,545	168,080	127,300
Net foreign exchange loss	41,862	79,606	79,606
Change in working capital items:			
Decrease/(Increase) in receivables	795,861	(200,327)	(388,406)
Decrease/(Increase) in stock	129,430	204,983	97,025
(Decrease)/Increase in trade and other payables	98,829	(203,260)	97,575
Net cash used in operations	(1,492,516)	(3,661,362)	(2,341,052)
Cash flows from investing activities			
Acquisition of subsidiary	-	11,384	11,384
Purchases of property, plant and equipment	(244,474)	(2,002,708)	(1,672,698)
Payments to acquire intangible assets	(423,316)	(460,541)	(288,921)
Interest received	-	317	317
Repayment of other liabilities	-	(715,478)	(715,478)
Net cash used in investing activities	(667,790)	(3,167,026)	(2,665,396)
Cash flows from financing activities			
Repayment of convertible loans	-	(100,000)	(100,000)
Proceeds from issue of share capital, net of costs	2,848,179	7,356,873	7,356,872
Interest paid	(58,892)	(52,195)	(30,060)
Net cash generated by financing activities	2,789,287	7,204,678	7,226,812
Net increase/(decrease) in cash and cash equivalents	628,981	376,290	2,220,364
Cash and cash equivalents, beginning of period	689,650	418,981	418,981
Effect of foreign exchange rate changes	(41,862)	(105,621)	(105,622)
Cash and cash equivalents, end of period	1,276,769	689,650	2,533,723

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 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 December 2010.

During 2010 the Group changed its reporting period end from 30 September to 30 June, and therefore its interim period end from 31 March to 31 December. The Directors have determined that it is appropriate to provide comparative information for the six months to 31 March 2010 and the nine months to 30 June 2010, as previously published, rather than to restate to the new interim reporting period basis. As a result, comparative information for the six months ended 31 March 2010 and nine months ended 30 June 2010 have been presented.

The information for the six months ended 31 December 2010 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 nine month period ended 30 June 2010 has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified but drew attention to the valuation of intangible and tangible 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.

As discussed in the Chairman's Statement, the alluvial diamond operations in Mandala and Bomboko have not performed as well as expected. The Company's forecasts and projections, taking account further exploration on the Tongo and Droujba projects and reasonably possible changes in trading performance, indicate that the Company will require additional financing, in the absence of positive cash flows from the alluvial diamond operations.

Although the Directors intend to raise equity, there is uncertainty as to whether the Company will be successful. As a result, the directors have concluded that these circumstances result in the existence of a material uncertainty that casts a significant doubt on the Company's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries, considering the uncertainties above, the successful £1.9 million financing in October 2010 and the excellent progress on the bulk sampling at Tongo and drilling at Droujba, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the interim consolidated financial statements.

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 June 2010.

The Company has adopted the following standards which are effective for the first time this period:

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

- IFRS 2 Amendment – Group cash-settled share-based payment transactions
- General Improvements to IFRSs (2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of these standards and interpretations did not have a material impact on the consolidated financial statements.

2. Segments

The Company is engaged in the acquisition, exploration, development and production of diamond properties in the West African countries of Sierra Leone 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. The reportable segments under IFRS 8 are therefore as follows:

- Mandala (Guinea);
- Bomboko (Guinea);
- Droujba (Guinea);
- Kono (Sierra Leone);
- Tongo (Sierra Leone);
- Other exploration projects (including Bouro); and
- Corporate activities in the United Kingdom.

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

	Mandala US\$	Bomboko US\$	Droujba US\$	Kono US\$	Tongo US\$	Other exploration US\$	Corporate US\$	Total US\$
Revenue – sale of diamonds	780,503	191,058	-	-	-	-	-	971,561
Segment result	(1,581,286)	(1,072,468)	(85)	(1,644)	(56)	-	(1,263,310)	(3,918,849)
Finance costs	-	-	-	-	-	-	(60,545)	(60,545)
Loss before tax	(1,581,286)	(1,072,468)	(85)	(1,644)	(56)	-	(1,323,855)	(3,979,394)
Income tax expense	-	-	-	-	-	-	-	-
Loss after tax	(1,581,286)	(1,072,468)	(85)	(1,644)	(56)	-	(1,323,855)	(3,979,394)
Segment assets	10,622,413	5,582,019	609,705	3,552,436	1,331,383	288,314	1,281,048	23,237,318
Segment liabilities	(54,369)	-	-	-	-	-	(835,890)	(890,259)
Share based payment expense ^(a)	-	-	-	-	-	-	308,200	308,200
Depreciation of property, plant and equipment	349,687	702,462	-	-	-	-	-	1,052,149
Capital additions								
– property, plant and equipment	24,297	-	10,848	-	209,329	-	-	244,474
– intangible assets	-	-	83,825	74,784	254,644	10,063	-	423,316

(a) Includes an expense of US\$11,650 for shares issued to an Officer (note 6)

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

2. Segments (continued)

Following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment for the nine months ended 30 June 2010:

	Mandala US\$	Bomboko US\$	Droujba US\$	Kono US\$	Tongo US\$	Other exploration US\$	Corporate US\$	Total US\$
Revenue – sale of diamonds	1,847,689	185,073	-	-	-	-	-	2,032,762
Segment result	(2,283,110)	(645,948)	(2,554)	(15,818)	(6,072)	-	(2,449,166)	(5,402,668)
Finance income	-	-	-	-	-	-	317	317
Finance costs	-	-	-	-	-	-	(168,080)	(168,080)
Loss before tax	(2,283,110)	(645,948)	(2,554)	(15,818)	(6,072)	-	(2,616,929)	(5,570,431)
Income tax expense	-	-	-	-	-	-	-	-
Loss after tax	(2,283,110)	(645,948)	(2,554)	(15,818)	(6,072)	-	(2,616,929)	(5,570,431)
Segment assets	11,224,021	6,330,006	515,032	3,478,508	853,665	183,073	1,306,195	23,890,500
Segment liabilities	(73,141)	-	-	(354)	(795)	-	(715,487)	(789,777)
Share based payment expense	-	-	-	-	-	-	261,632	261,632
Depreciation of property, plant and equipment	1,102,565	442,899	-	-	6,041	-	12,339	1,563,844
Capital additions	-	-	-	-	-	-	-	-
- property, plant and equipment	810,096	6,698,219	-	-	138,959	-	929	7,648,203
- intangible assets	-	-	399,333	1,566,733	14,291	182,078	-	2,162,435

3. Intangible assets

	Six months ended 31 December 2010 US\$	Nine months ended 30 June 2010 US\$
<i>Exploration and evaluation expenditure:</i>		
Cost		
Opening balance	19,866,794	17,704,358
Additions	423,316	1,796,569
Acquired as part of WAD	-	365,867
Closing balance	20,290,110	19,866,794
Impairment		
Opening balance	14,923,250	14,923,250
Charge for the period	-	-
Closing balance	14,923,250	14,923,250
Carrying value	5,366,860	4,943,544

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

4. Property, plant and equipment

	Mining assets US\$	Machinery and equipment US\$	Total US\$
Cost			
At 30 September 2009	10,692,283	1,321,648	12,013,931
Additions	212,845	1,789,863	2,002,708
Acquired as part of WAD	<u>3,911,750</u>	<u>1,733,745</u>	<u>5,645,495</u>
At 30 June 2010	14,816,878	4,845,256	19,662,134
Additions	<u>10,847</u>	<u>233,627</u>	<u>244,474</u>
At 31 December 2010	<u>14,827,725</u>	<u>5,078,883</u>	<u>19,906,608</u>
Depreciation			
At 30 September 2009	524,776	515,575	1,040,351
Charge for the period	<u>978,010</u>	<u>585,834</u>	<u>1,563,844</u>
At 30 June 2010	1,502,786	1,101,409	2,604,195
Charge for the period	<u>472,672</u>	<u>579,477</u>	<u>1,052,149</u>
At 31 December 2010	<u>1,975,458</u>	<u>1,680,886</u>	<u>3,656,344</u>
Carrying value			
At 30 June 2010 2010	<u>13,314,092</u>	<u>3,743,847</u>	<u>17,057,939</u>
At 31 December 2010	<u>12,852,267</u>	<u>3,397,997</u>	<u>16,250,264</u>

Included within mining assets is the rehabilitation provision for Mandala of US\$54,369 (30 June 2010: US\$54,369).

Depreciation of mining assets has been charged to cost of sales whilst depreciation of machinery and equipment has been charged to administrative expense.

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

5. Receivables

	31 December 2010 US\$	30 June 2010 US\$
Trade receivable	56,304	103,519
Amounts due from related parties (note 9)	11,047	596,198
VAT	15,038	100,431
Prepayments and other receivables	32,966	41,720
	<u>115,355</u>	<u>841,868</u>

6. Share capital, share premium and warrant reserve

Share capital

Authorised:

Unlimited number of ordinary shares of 5p each.

	Number	Share capital US\$	Share premium US\$
Allotted called-up and fully paid:			
Balance as at 30 September 2009	50,037,254	956,474	31,272,947
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	965,858	32,201,946
Reverse acquisition adjustment	18,598,170	4,623,043	(16,443,279)
Balance on completion of reverse acquisition	71,581,432	5,588,901	15,758,667
Shares issued on share placing	25,000,000	1,951,938	5,784,958
Share warrants issued	-	-	(143,024)
Share issue costs	-	-	(380,023)
Bonus shares issued to directors	112,500	8,784	26,044
Other shares issued	4,500,000	325,641	976,921
Balance as at 30 June 2010	101,193,932	7,875,264	22,023,543
Issue of shares on private placement (a)	38,000,000	3,078,603	-
Share issue costs (a)	-	(161,076)	-
Share warrants issued (b)	-	(321,034)	-
Other shares issued (note 7)	72,727	11,650	-
Balance as at 31 December 2010	<u>139,266,659</u>	<u>10,483,407</u>	<u>22,023,543</u>

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Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

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

(a) Share capital

On 12 October 2010, a total of 38,000,000 ordinary shares of 5p each were allotted and issued for gross proceeds of US\$3,078,603 including shares issued to directors in lieu of Directors fees of US\$69,348. Transaction costs of US\$161,076 were netted against the proceeds.

On 10 August 2010, 72,727 ordinary shares of 5p each were issued to an Officer as a performance related payment. This award resulted in a charge of US\$11,650 to operations.

(b) Share warrants

On 12 October 2010 in connection with the placing of 38,000,000 ordinary shares the Company issued 23,064,383 warrants to subscribe for up to 23,064,383 ordinary shares of 5p each in the Company exercisable for a price of 12p per share warrant. The warrants issued have resulted in a charge to the share capital of US\$321,034 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 68%, a weighted average annual risk free rate of 1.73% and an expected life of one and a half years.

7. Share options

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

	Six months ended 30 December 2010		Nine months ended 30 June 2010	
	Number of options	Weighted average exercise price GBP£	Number of options	Weighted average exercise price GBP£
Outstanding and exercisable, beginning of period	5,432,463	0.39	3,992,500	0.31
Cancellation of Stellar Diamonds Limited options on acquisition	-	-	(3,992,500)	(0.31)
Replacement for Stellar Diamonds Limited options on acquisition (re-priced)	-	-	3,482,325	0.20
Replacement for Stellar Diamonds Limited options on acquisition (not re-priced)	-	-	530,138	0.87
Options assumed on acquisition	-	-	1,420,000	0.66
Options granted	2,950,000	0.11	-	-
Options forfeited	(57,788)	0.46	-	-
Outstanding and exercisable, end of period	8,324,675	0.29	5,432,463	0.39

On 10 August 2010 the Company issued a total of 2,950,000 share options at an exercise price of 11p. The options issued have resulted in a charge of US\$296,552 based on the Black-Scholes option pricing model and the following assumptions: nil dividend yield, a weighted average expected

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(Stated in U.S. dollars)

7. Share options (continued)

volatility of the Company's share price of 68%, a weighted average annual risk free rate of 2.17% and weighted average expected life of five years.

As at 31 December 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
2,950,000	0.110	15-Aug-15
600,000	0.150	23-Jul-16
507,525	0.875	22-Feb-17
3,447,150	0.200	22-Feb-17

8. Convertible loan

On 21 September 2009, the Company issued a convertible loan (secured on Mandala mining assets) and raised £300,000 (US\$478,170). The note is repayable on 21 September 2011 and has been classified as a current liability in the period.

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

For the six months ended 31 December 2010

(Stated in U.S. dollars)

9. Related parties

During the period, the Group, in the ordinary course of business, entered into various transactions with a shareholder, African Aura Mining Inc. 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:

	Six months ended 31 December 2010 US\$	Nine months ended 30 June 2010 US\$
<i>African Aura Mining Inc., shareholder</i>		
- management fees charged	54,384	91,884
- net repayment of loans from AAM	-	(400,000)
- conversion of convertible loans into shares	-	200,000
- conversion of accrued interest on convertible loans into shares	-	30,000
- conversion of unpaid 2009 management fee into shares in Stellar Diamonds Limited	-	150,000
<i>Directors</i>		
- shares issued on successful admission of the Company on AIM in lieu of bonus payment	-	34,828
- remuneration	201,438	215,482
- shares issued in lieu of accrued directors' fees	69,348	208,676
- payments made on behalf of the directors to acquire shares in the Company	-	14,820
- social security payments made on behalf of the directors	-	29,004

The convertible loan and the accrued interest at 31 December 2010 as disclosed in note 8 are owed to Altus Resource Capital Ltd. A Non-Executive Director is a Director of Altus Capital Ltd, the Investment Manager for Altus Resource Capital Ltd.

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

	31 December 2010 US\$	30 June 2010 US\$
Non-Executive Directors	1,984	15,275
African Aura Mining Inc.	9,063	580,923
	<u>11,047</u>	<u>596,198</u>