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31 January 2012

AIM: STEL

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

INTERIM UNAUDITED SIX MONTH RESULTS TO 31 DECEMBER 2011

Stellar Diamonds plc, the London listed (AIM:STEL) diamond development company focused on West Africa announces its interim unaudited six month results to 31st December 2011.

Operational Highlights

- Resource drilling completed at Droujba kimberlite pipe in Guinea
- Bulk sampling at Droujba underway to obtain diamond grade and value
- Resource drilling and bulk sampling completed at Tongo Dyke 1 project in Sierra Leone
- Tongo Dyke 1 diamond grade of 121cpt (+1mm in-situ) and diamond value of \$185 per carat
- On track for delivery of independently calculated resource statements at Tongo and Droujba in Q1-12

Financial Highlights

- \$4.2m invested in advancing Droujba and Tongo towards maiden resource statements for Q1-12
- \$1.0m of cash reserves and \$0.6m diamonds in stock for sale
- Loss per share reduced to \$0.01 (2010 \$0.03)
- Net assets of \$19.2m (\$21.1m at 30 June 2011)

Karl Smithson, Chief Executive Officer, commented:

"Stellar's focus during the past six months has been on the generation of maiden resource statements for our key kimberlite projects at Droujba and Tongo in Guinea and Sierra Leone respectively. I am pleased to report that excellent progress has been made during this report period. Resource drilling has been completed at both projects and at Tongo we have also completed the bulk sampling evaluation of the 2.5km long Dyke 1 kimberlite. This returned a highly encouraging +1mm in-situ grade of 121 carats per hundred tonnes ("cpt") and a diamond value of \$185 per carat. At Droujba the collection of four bulk samples weighing a total of 940 tonnes has been completed as has construction and commissioning of the processing plant to treat these samples.

"We have also been pleased to read of the planned IPO of the Koidu diamond mine on the Hong Kong stock exchange, as this is situated adjacent to our Kono project and will help raise awareness of the potential value within our Kono permits.

"We remain on track to achieve our stated objective of delivering the resource statements in the first quarter of 2012 and I look forward to updating shareholders as we progress to these key milestones for the Company."

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

Stellar Diamonds plc

Karl Smithson, Chief Executive

Tel: +44 (0) 20 7257 2930

Northland Capital Partners Limited

Gavin Burnell, Edward Hutton

Tel: +44 (0) 20 7796 8800

Daniel Stewart & Company plc

Martin Lampshire, Antony Legge

Tel: +44 (0) 20 7776 6550

Pelham Bell Pottinger

James MacFarlane, Joanna Boon

Tel: +44 (0) 20 7861 3232

About Stellar Diamonds plc

Stellar is a London (AIM: STEL) listed diamond mining and exploration company focussed on West Africa where programmes aimed at generating maiden resource estimates at Droujba (Guinea) and Tongo (Sierra Leone) are ongoing and are expected to be delivered in the first quarter of 2012. Bulk sampling of the Lion-5 dyke at Kono (Sierra Leone) is also ongoing.

Chairman's Statement

Operational Review

During the period, Stellar has made considerable progress towards achieving its objectives of delivering independently calculated resource statements at its two key projects of Droujba, in south eastern Guinea and Tongo, in eastern Sierra Leone. In addition, surface bulk sampling commenced on a high-interest kimberlite in the Kono permits, which are located immediately adjacent to the \$150m mine development of the Koidu pipes by privately owned Koidu Holdings. As a result of the operational focus being on the kimberlite development, the Mandala alluvial project, which closed for the rainy season in August, was not reopened and remains on extended seasonal closure.

Droujba

Resource drilling of the Droujba pipe has been completed through 31 holes for 7,457m. The pipe has a surface area of 3 hectares and has been intersected at 414m below surface and remains open at depth. The resource model is currently being refined and will be calculated to an initial depth of 350m. De-watering of the pipe was completed and the base of the previously mined pit (by the Russian Aid Mission in the 1960's) was cleaned of all debris so that the floor of the pipe was then accessible to bulk sampling. Four samples totalling 940 dry tonnes were collected and stockpiled before the end of the year. The processing plant, comprising of a crushing circuit, a 5 tonne per hour Dense Media Separation unit, with diamond recovery by X-Ray Flowsort with grease back up was constructed and commissioning commenced in late 2011. This plant will process the bulk samples to enable diamond grade and value of the Droujba pipe to be established. Grade continuity at depth is being calculated using microdiamond analysis from drill core, with most results having been received and reported. The high diamond abundance from the microdiamond samples is considered to be significant and consistent with the expectation of a high grade for the pipe.

Tongo

All geological work required for the completion of the maiden resource statement has been satisfactorily completed. Drilling of a 1.9km section of the 2.5km long Dyke 1 was completed through 32 holes for 4,048m, with the kimberlite being drilled to depths of up to 200m. The kimberlite, and hence potential resource, remains open at depth and along the remainder of its undrilled strike length. Bulk sampling of Dyke 1 delivered excellent results with 1,150 carats being yielded at a final in-situ (undiluted) calculated grade (+1mm) of 121 carats per hundred tonnes ("cpht") and a diamond value of \$185/ct on the basis of two aggregated diamond exports made in the report period. The in-situ value of the Dyke 1 kimberlite is therefore calculated to be \$224 per tonne and is considered to be one of the highest value for kimberlites worldwide. It should be noted that the diamond grades and values are actual figures based on diamond recovery and sales. However, the final resource statement may reflect different grade and value figures on the basis of geological modelling at varying cut off sizes used in a mining scenario.

The 1km long Dyke 4, located 1km from Dyke 1, was also bulk sampled and returned a +1mm dry grade of 106cpht. This kimberlite has not yet been drilled and will not form part of the Tongo resource statement at this stage. However, it does demonstrate the added potential to the overall resource base for the Tongo project.

Kono

During the latter part of the year Stellar commenced a bulk sampling on the so-called Lion-5 kimberlite dyke that runs from Stellar's permit into the adjacent permit held by Koidu Holdings. Processing of this sample is progressing well and results will be announced in the near future.

Resource Statements

Stellar has retained CAE Mining as independent consultants to calculate the maiden resource statements and provide preliminary economic scoping studies for Droujba and Tongo. The Company remains on track to deliver these by the end of the first quarter of 2012.

Outlook

The rough diamond market in 2011 was a year of two halves. After a very strong first seven months of 2011 the second half of the year saw a significant correction (-25%) in rough diamond prices, but still increased 15% on the year, according to research by RBC Capital Markets. The Company does not expect rough prices in 2012 to repeat the highs and then lows of 2011, but rather remain more stable. Diamond prices are likely to reflect the balance between short term risk aversion on the demand side and, in the backdrop of limited production increases, the continued strong growth in jewellery demand from Asia that should result in rough diamond price appreciation.

The Board of Stellar is very encouraged by the progress made on the ground to date and is pleased that all key milestones have been achieved not only during the six month period being reported but also for the year as a whole. The Company remains on track to deliver its maiden resource statements which it expects will provide a solid platform for further growth in its resource base and value creation for shareholders.

I would like to take this opportunity to thank all shareholders for their continued support and I look forward to 2012 as being a pivotal and successful year for us all.

Lord Daresbury
Non-Executive Chairman
30 January 2012

Stellar Diamonds plc

Condensed consolidated statement of comprehensive loss

(unaudited)

for the six months ended 31 December 2011

(Stated in U.S. dollars)

| | Notes | Six months ended 31 December 2011 (unaudited) | Six months ended 31 December 2010 (unaudited) | Year ended 30 June 2011 (audited) |
|---|-------|---|---|---|
| Revenue | 2 | - | 971,561 | 1,518,002 |
| Mining and processing costs | | (586,881) | (2,783,010) | (4,067,699) |
| Gross loss | | (586,881) | (1,811,449) | (2,549,697) |
| Administrative expenses | | | | |
| - Impairment of tangible assets | 4 | - | - | (8,643,201) |
| - Administrative expenses | | (1,360,118) | (2,107,400) | (3,705,610) |
| | | (1,946,999) | (3,918,849) | (12,348,811) |
| Finance costs | | - | (60,545) | (35,488) |
| Loss before tax | | (1,946,999) | (3,979,394) | (14,933,996) |
| Income tax expense | | - | - | - |
| Loss after tax attributable to equity holders of the parent | | (1,946,999) | (3,979,394) | (14,933,996) |
| Total comprehensive loss for the period attributable to equity holders of the parent | | (1,946,999) | (3,979,394) | (14,933,996) |
| Weighted average number of shares | | 216,766,659 | 117,908,452 | 145,962,871 |
| Basic and diluted loss per share | | (0.01) | (0.03) | (0.10) |

Stellar Diamonds plc

Condensed consolidated statement of financial position (unaudited) as at 31 December 2011

(Stated in U.S. dollars)

| | Notes | 31 December 2011 (unaudited) | 31 December 2010 (unaudited) | 30 June 2011 (audited) |
|--------------------------------------|-------|------------------------------------|---------------------------------|---------------------------|
| Assets | | | | |
| <i>Non-current assets</i> | | | | |
| Intangible assets | 3 | 10,731,862 | 5,366,860 | 7,168,005 |
| Property, plant and equipment | 4 | 7,288,836 | 16,250,264 | 7,150,956 |
| Total non-current assets | | 18,020,698 | 21,617,124 | 14,318,961 |
| <i>Current assets</i> | | | | |
| Inventories | | 593,797 | 228,069 | 507,242 |
| Trade and other receivables | | 199,729 | 115,355 | 194,487 |
| Cash and cash equivalents | | 1,064,509 | 1,276,769 | 6,518,640 |
| Total current assets | | 1,858,035 | 1,620,193 | 7,220,369 |
| Total assets | | 19,878,733 | 23,237,317 | 21,539,330 |
| Equity and liabilities | | | | |
| <i>Capital and reserves</i> | | | | |
| Share capital | | 17,161,566 | 10,483,407 | 17,161,566 |
| Share premium | | 25,055,393 | 22,023,543 | 25,055,393 |
| Reverse acquisition reserve | | 17,073,279 | 17,073,279 | 17,073,279 |
| Warrant reserve | | 155,235 | 464,058 | 155,235 |
| Share option reserve | | 4,177,000 | 3,906,737 | 4,177,000 |
| Convertible loan reserve | | - | 87,853 | - |
| Accumulated loss | | (44,450,396) | (31,691,819) | (42,503,397) |
| Total equity | | 19,172,077 | 22,347,058 | 21,119,076 |
| <i>Non-current liabilities</i> | | | | |
| Provision | | 104,369 | 54,369 | 104,369 |
| Total non-current liabilities | | 104,369 | 54,369 | 104,369 |
| <i>Current liabilities</i> | | | | |
| Trade and other payables | | 602,288 | 397,059 | 315,885 |
| Convertible loan | | - | 438,831 | - |
| Total current liabilities | | 602,287 | 835,890 | 315,885 |
| Total liabilities | | 706,656 | 890,259 | 420,254 |
| Total equity and liabilities | | 19,878,733 | 23,237,317 | 21,539,330 |

Company registration number: 5424214

Stellar Diamonds plc

Condensed consolidated statement of changes in equity (unaudited)

as at 31 December 2011

(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 July 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 loss for the period | - | - | - | - | - | - | (14,933,996) | (14,933,996) |
| Repayment of convertible loan | - | - | - | - | (87,853) | - | - | (87,853) |
| Issue of placing shares | 9,280,410 | 3,721,084 | - | - | - | - | - | 13,001,494 |
| Share warrants issued | - | (155,235) | 155,235 | - | - | - | - | - |
| Share issue costs | - | (539,757) | - | - | - | - | - | (539,757) |
| Warrants expired | - | - | (143,024) | - | - | - | 143,024 | - |
| Other shares issued | 5,892 | 5,758 | - | - | - | - | - | 11,650 |
| Share options issued | - | - | - | 566,815 | - | - | - | 566,815 |
| Balance at 30 June 2011 | 17,161,566 | 25,055,393 | 155,235 | 4,177,000 | - | 17,073,279 | (42,503,397) | 21,119,076 |
| Total comprehensive loss for the period | - | - | - | - | - | - | (1,946,999) | (1,946,999) |
| Balance at 31 December 2011 | 17,161,566 | 25,055,393 | 155,235 | 4,177,000 | - | 17,073,279 | (44,450,396) | 19,172,077 |

Stellar Diamonds plc

Condensed consolidated statement of cash flows (unaudited)

For the six months ended 31 December 2011

(Stated in U.S. dollars)

| | Six months ended 31 December 2011 (unaudited) | Six months ended 31 December 2010 (unaudited) | Year ended 30 June 2011 (audited) |
|---|---|---|--|
| Cash flows from operating activities: | | | |
| Net loss for the period | (1,946,999) | (3,979,394) | (14,933,996) |
| Items not involving cash: | | | |
| Depreciation of property, plant and equipment | 464,255 | 1,052,149 | 1,638,860 |
| Impairment of property, plant and equipment | - | - | 8,643,201 |
| Share-based payment expense | - | 296,552 | 566,815 |
| Shares issued to directors in lieu of fees | - | 11,650 | 234,863 |
| Interest expense | - | 60,545 | 35,488 |
| Net foreign exchange (gain)/loss | (2,503) | 41,862 | (41,184) |
| Change in working capital items: | | | |
| Decrease/(Increase) in receivables | (5,242) | 795,861 | 647,381 |
| (Increase)/Decrease in stock | (86,555) | 129,430 | (149,743) |
| Increase/(Decrease) in trade and other payables | 286,402 | 98,829 | 87,381 |
| Net cash used in operations | (1,290,642) | (1,492,516) | (3,270,934) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | (602,135) | (244,474) | (403,398) |
| Payments to acquire intangible assets | (3,563,857) | (423,316) | (2,196,141) |
| Net cash used in investing activities | (4,165,992) | (667,970) | (2,599,539) |
| Cash flows from financing activities | | | |
| Repayment of convertible loans | - | - | (485,062) |
| Proceeds from issue of share capital, net of costs | - | 2,848,179 | 12,238,524 |
| Interest paid | - | (58,892) | (95,183) |
| Net cash generated by financing activities | - | 2,789,287 | 11,658,279 |
| Net (decrease)/increase in cash and cash equivalents | (5,456,634) | 628,981 | 5,787,806 |
| Cash and cash equivalents, beginning of period | 6,518,640 | 689,650 | 689,650 |
| Effect of foreign exchange rate changes | 2,503 | (41,862) | 41,184 |
| Cash and cash equivalents, end of period | 1,064,509 | 1,276,769 | 6,518,640 |

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited)

for the six months ended 31 December 2011

(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 2011. The comparative periods presented are the audited financial statements as of and for the year ended 30 June 2011 and the unaudited financial statements as of and for the six months ended 31 December 2010.

The information for the six months ended 31 December 2011 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 2011 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.

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 is focusing on advancing its kimberlite projects towards production. At 31 December 2011, the Company had in excess of \$1.6m in cash and available for sale diamond stocks. Given the positive results being produced at both Tongo and Droujba and the expected completion of maiden resource statements and economic scoping studies for both projects in the first quarter of 2012, the directors believe that the Company will continue to have the ability to access sufficient levels of finance to continue the Group’s projects for the foreseeable future. On that basis, the directors continue to adopt the going concern basis in preparing these 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 plc’s latest audited financial statements as of and for the year ended 30 June 2011.

Stellar Diamonds plc

Notes to the consolidated financial statements (unaudited) for the six months ended 31 December 2011

(Stated in U.S. dollars)

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 focussed on the individual projects in geographical locations. The reportable segments under IFRS 8 are therefore as follows:

- Mandala (Guinea);
- Bomboko (Guinea);
- Kono (Sierra Leone);
- Tongo (Sierra Leone);
- Droujba (Guinea);
- Other exploration;
- 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 2011:

| | Mandala | Bomboko | Kono | Tongo | Droujba | Other exploration | Corporate | Total |
|---|-----------|-----------|-----------|-----------|-----------|----------------------|-----------|------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue – sale of diamonds | - | - | - | - | - | - | - | - |
| Segment result | 997,359 | - | - | - | - | - | 949,640 | 1,946,999 |
| Finance costs | | | | | | | | - |
| Loss before tax | | | | | | | | 1,946,999 |
| Income tax expense | | | | | | | | - |
| Loss after tax | | | | | | | | 1,946,999 |
| Segment assets | 5,337,173 | 1,599,506 | 4,220,720 | 3,403,708 | 3,528,005 | 203,887 | 1,585,734 | 19,878,733 |
| Segment liabilities | (74,369) | (30,000) | - | - | - | - | (602,287) | (706,656) |
| Net book value of intangible assets | - | - | 4,189,393 | 3,006,282 | 2,930,458 | 191,119 | 414,610 | 10,731,862 |
| Net book value of property, plant and equipment | 4,730,114 | 1,559,354 | 16,770 | 377,762 | 591,828 | 10,847 | 2,161 | 7,288,836 |
| Capital additions – property, plant and equipment | 14,000 | - | 1,795 | 71,309 | 513,236 | - | 1,795 | 602,135 |
| – intangible assets | - | - | 270,344 | 1,622,244 | 1,671,269 | - | - | 3,563,857 |
| Depreciation of property, plant and equipment | 397,590 | - | - | 66,665 | - | - | - | 464,255 |

Stellar Diamonds plc
Notes to the consolidated financial statements (unaudited)
for the six months ended 31 December 2011
(Stated in U.S. dollars)

2. Segments (continued)

Following is an analysis of the Group's revenue and results by reportable segment for the year months ended 30 June 2011:

| | Mandala | Bomboko | Kono | Tongo | Droujba | Other exploration | Corporate | Total |
|---|-------------|-------------|-----------|-----------|-----------|-------------------|-------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue – sale of diamonds | 1,265,808 | 252,194 | - | - | - | - | - | 1,518,002 |
| Segment result | (8,030,976) | (4,711,580) | (4,684) | 1,313 | (284) | - | (2,152,297) | (14,898,508) |
| Finance costs | | | | | | | | (35,488) |
| Loss before tax | | | | | | | | (14,933,996) |
| Income tax expense | | | | | | | | - |
| Loss after tax | | | | | | | | (14,933,996) |
| Segment assets | 5,352,041 | 1,874,686 | 3,984,679 | 1,808,565 | 1,338,201 | 203,887 | 6,977,271 | 21,539,330 |
| Segment liabilities | (74,369) | (30,000) | - | - | - | - | (315,885) | (420,254) |
| Net book value of intangible assets | - | - | 3,919,049 | 1,384,038 | 1,259,190 | 191,119 | 414,609 | 7,168,005 |
| Net book value of property, plant and equipment | 4,838,526 | 1,834,534 | 14,975 | 373,116 | 78,593 | 10,846 | 366 | 7,150,956 |
| Capital additions | | | | | | | | |
| – property, plant and equipment | 25,108 | 40,168 | 14,975 | 244,554 | 78,593 | - | - | 403,398 |
| – intangible assets | - | - | 446,630 | 667,861 | 1,109,970 | - | - | 2,224,461 |
| Depreciation of property, plant and equipment | 599,171 | 1,037,517 | - | 28,230 | - | - | 2,172 | 1,667,180 |
| Impairment of property, plant and equipment | 5,255,868 | 3,387,333 | - | - | - | - | - | 8,643,201 |

3. Intangible assets

| | Six months ended 31 December 2011 | Year ended 30 June 2011 |
|---|--------------------------------------|----------------------------|
| | \$ | \$ |
| Exploration and evaluation expenditure | | |
| Cost | | |
| Opening balance | 22,091,255 | 19,866,794 |
| Additions | 3,563,857 | 2,224,461 |
| Closing balance | 25,655,112 | 22,091,255 |
| Impairment | | |
| Opening balance | 14,923,250 | 14,923,250 |
| Charge for the period | - | - |
| Closing balance | 14,923,250 | 14,923,250 |
| Carrying value | 10,731,862 | 7,168,005 |

Stellar Diamonds plc
Notes to the consolidated financial statements (unaudited)
for the six months ended 31 December 2011

(Stated in U.S. dollars)

4. Property, plant and equipment

| | Mining assets \$ | Machinery and equipment \$ | Total \$ |
|----------------------------|------------------------|----------------------------------|------------------|
| Cost | | | |
| At 1 July 2010 | 14,816,878 | 4,845,256 | 19,662,134 |
| Additions | - | 403,398 | 403,398 |
| At 30 June 2011 | 14,816,878 | 5,243,654 | 20,060,532 |
| Additions | - | 607,135 | 607,135 |
| At 31 December 2011 | 14,816,878 | 5,850,789 | 20,667,667 |
| Depreciation | | | |
| At 1 July 2010 | 1,502,786 | 1,101,409 | 2,604,195 |
| Charge for the year | 535,424 | 1,131,756 | 1,667,180 |
| Impairment | 8,643,201 | - | 8,643,201 |
| At 30 June 2011 | 10,681,411 | 2,233,165 | 12,914,576 |
| Charge for the period | 15,332 | 448,923 | 464,255 |
| At 31 December 2011 | 10,696,743 | 2,682,088 | 13,378,831 |
| Net book value | | | |
| At 31 December 2011 | 4,120,135 | 3,168,701 | 7,288,836 |
| At 30 June 2011 | 4,135,467 | 3,015,488 | 7,150,956 |

Included within mining assets is the rehabilitation provision for Mandala and Bomboko of \$104,369 (30 June 2011: \$104,369).