27\textsuperscript{th} January 2010

West African Diamonds plc
(“WAD” or the “Company”)

Proposed Acquisition of Stellar Diamonds Limited
Placing to raise £5.0 million
Posting of Admission Document
Notice of General Meeting

Further to the announcement made on 26 October 2009, the Directors of WAD announce that an AIM Admission Document in relation to the proposed acquisition of Stellar Diamonds Limited (“Stellar”) (the “Acquisition”) is being posted to shareholders today. It is expected that WAD shares will be restored to trading from 7.00am today.

The Acquisition will constitute a reverse takeover of the Company under the AIM Rules and requires the prior approval of the Company’s existing shareholders. If the resolutions are passed, it is expected that readmission of the Company (as enlarged by the Acquisition) to AIM will take place and that trading in its shares will commence on 22 February 2010.

RBC Capital Markets and Astaire Securities have completed a successful placing for the Company to raise gross proceeds of £5.0 million (the “Placing”), conditional on completion of the Acquisition and the readmission. The Placing was led by RBC Capital Markets and included Astaire Securities as joint Broker. The Company has appointed RBC Capital Markets as its Nominated Adviser and Joint Broker with effect from today and Astaire Securities shall continue to act as Joint Broker.

The Placing will comprise an offer of new ordinary shares of 5p each (“the Placing Shares”) to institutional and other investors. A total of 25,000,000 Placing Shares will be issued at 20p per share (taking into account a proposed 5 for 1 consolidation of the existing ordinary share capital).

A circular and notice convening a general meeting of the Company to be held at midday on 19 February 2010 at 71 Queen Victoria Street, London EC4V 4DE is included in the Admission Document.

Rationale for the Acquisition
- **Corporate and Operational Synergies:** The Company will have a number of opportunities to harness corporate and operational synergies, thus allowing the operational cost base per carat to be reduced.

- **Accelerated Growth Strategy:** Revenue streams from two producing alluvial mines will reduce financial risk, increase cashflow and will enhance growth possibilities.

- **Strong Project Pipeline:** The Company will have four high grade kimberlite projects at various stages of development.

- **Strong Management Team:** The Proposed Board has significant experience in the West African mining industry and a proven track record of developing mines.

**Use of Proceeds**

The proceeds from the Placing will be utilised to capitalise existing producing mines, accelerate its production ramp up, and advance key kimberlite development and exploration projects.

**Principal terms of the Acquisition**

Under the terms of the Acquisition Agreement, the Company has agreed to acquire the entire issued and to be issued share capital of Stellar 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 shareholders and 25 per cent. being attributable to ordinary shares currently held by WAD shareholders.

Prior to the Placing but assuming the share consolidation has taken place, a total of 53,598,496 consideration shares will be issued and allotted to the shareholders of Stellar on the basis of 1.005 new ordinary shares in the Company for each Stellar share.

Based on the number of Existing Ordinary Shares in issue as at the date of this announcement (being 89,947,519) and the mid-market price of 3.875p per Existing Ordinary Share on 26 October 2009 (the date that trading on AIM in such shares was suspended), the total consideration for the Acquisition is therefore approximately £10.4 million of consideration shares.

Completion of the Acquisition Agreement is conditional, inter alia, upon approval of the Acquisition and certain other matters by WAD shareholders and the Placing Agreement becoming unconditional (save as for admission).

John Teeling, Chairman, commented:

“This is a good deal for WAD shareholders and the board is pleased to support it. The enlarged group will be on a stronger financial footing due the placing and the cashflow from two producing mines. The West African diamond mining industry is underdeveloped and fragmented. Stellar Diamonds will be well positioned to exploit opportunities in the area”.
Karl Smithson, Proposed CEO of the enlarged group, commented:

“We are extremely pleased to have progressed with the Acquisition and Placing and look forward to working together with the WAD team to create value for all shareholders.”

Copies of the Admission Document are available on the Company’s website (www.westafdiamonds.com) or from RBC Capital Markets, 71 Queen Victoria Street, London EC4V 4DE.

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