

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.



Karelian Diamond Resources plc
("Karelian Diamonds" or "the Company")

22 November 2019

**FINAL RESULTS FOR THE YEAR TO 31 MAY 2019
NOTICE OF ANNUAL GENERAL MEETING
DIRECTORATE CHANGE**

Karelian Diamond Resources plc ("Karelian Diamonds") (AIM: KDR), the diamond exploration and development company focused on Finland, is pleased to report its audited accounts for the year to 31 May 2019.

Highlights:

- Micro-diamond results from, previously untested, larger Eastern Lobe of Lahtojoki diamond deposit give increased confidence for economics of potential mine.
- Extensive progress made in relation to regulatory matters required for mining permitting at Lahtojoki
- Review of technical data suggests presence of pink diamonds in Lahtojoki deposit which if confirmed could have a significant impact on the economic evaluation
- Drilling on Anomaly 5 (area where green diamond discovered by Company) intersected Orangeite (Group II Kimberlite) a potentially diamondiferous rock
- Drilling at Riihivaara, where previous trenching discovered a new kimberlite also intersected Orangeite and thin section studies revealed a G10 garnet suggesting that the kimberlite may be diamondiferous.

Post Period

- Howard Bird, a distinguished geoscientist who has wide experience of the diamond industry and in particular of successful exploration and diamond mine development joined the Board as a non-executive director.
- Subscription to raise £150,000 (€167,377)

Professor Richard Conroy, Chairman, stated:

“We have built on last year’s successful programmes and, despite the distractions and cost of the recent EGMs, we have had continued exploration success and most importantly, the Company has made further progress towards the development of a diamond mine at Lahtojoki.”

Final Results for the Year to 31 May 2019

The full audited annual report and accounts for the year to 31 May 2019 (“Annual Report”) can be viewed below:

ANNUAL REPORT

The Annual Report will be posted to shareholders today and will be published on the Company’s website today. Key elements can also be viewed at the bottom of this announcement.

Annual General Meeting

The annual general meeting of the Company (“AGM”) will be held at The Davenport Hotel, Gandon Suite, 8-10 Merrion Street, Dublin 2 at 10.30am on 16 December 2019. A copy of the notice of AGM, which has been posted to shareholders, can be viewed on the Company’s website.

Directorate Change

Louis J. Maguire, who retires from the Board by rotation, has decided he will not be putting himself forward for re-election at the AGM. Louis J. Maguire will therefore cease to be a director of the Company following the AGM.

For further information please contact:

Karelian Diamond Resources plc

Professor Richard Conroy, Chairman

Tel: +353-1-479-6180

Allenby Capital Limited (Nomad)

Nick Athanas/Nick Harriss

Tel: +44-20-3328-5656

Brandon Hill Capital Limited (Broker)

Jonathan Evans

Tel: +44-20-3463-5000

Lothbury Financial Services

Michael Padley

Tel: +44-20-3290-0707

Hall Communications

Don Hall

Tel: +353-1-660-9377

www.kareliandiamondresources.com

Key Information Extracted from Annual Report

Chairman's Statement

Dear Shareholder,

I have pleasure in presenting your Company's annual report and financial statements for the financial year ended 31 May 2019. The year has been one of successful progress for the Company's diamond exploration and mining development programmes, both in relation to the Lahtojoki diamond deposit, which the Company hopes to develop as Europe's first diamond mine (outside Russia) and also in the Company's diamond exploration programme in Finland.

Business Development

The Company's diamond exploration and mining development programmes are located in the Karelian Craton in Finland. The diamond prospectivity of this Craton, which lies across Northern Finland and Russia, has been demonstrated by the discovery and development of the world class Lomonosova and Grib Pipe diamond deposits in the Russian sector of the Craton. The Company's objective is to discover, or acquire, and develop diamond deposits in the Finnish sector of the Karelian Craton.

A careful, measured approach by your Company over a number of years led to the acquisition of the Lahtojoki diamond project. Karelian has gained the benefit, at minimal cost, of the multi-million Euro expenditure, technical and financial by previous operators at Lahtojoki. The same careful, measured approach is essential to achieve the successful development of the Lahtojoki diamond deposit as a mine. Few other diamond exploration companies hold a potential diamond mine in their portfolio. I appreciate the patience and effort shown by the Company's technical staff and the Board in achieving this result and look forward to the development of Lahtojoki as the first diamond mine in Europe.

In this context, I am delighted that Howard Bird, who has wide experience of the diamond industry, and in particular of successful exploration and diamond mine development, has now joined the Board as a non-executive director in addition to his previously announced role as a geo-science consultant. Howard will assist the Company on technical plans for the development of the diamond deposit at Lahtojoki as a mine. Howard is an internationally experienced professional geoscientist (diamonds, gold, platinum and base metals) and has over 30 years' diverse junior and senior company exploration, development and mining experience, including over 15 years at the senior executive management level.

The Company's exploration programme in the Kuhmo area has yielded highly promising results during the year, particularly in the Anomaly 5 and Riihivaara target areas, in both of which Orangeite (Group II kimberlite) has been discovered. Orangeite is a potentially diamondiferous kimberlite rock.

Karelian has achieved a great deal relative to the funds available through a well thought-out and carefully planned and focused exploration and acquisition programme.

The Lahtojoki Diamond Deposit

The Lahtojoki diamond deposit is situated in the Kuopio–Kaavi region in Finland. The location is highly favourable for development with excellent infrastructure, including good roads and power distribution and local technical and logistic availability. The Company has been granted a mining concession over the deposit.

Since acquiring the Lahtojoki diamond deposit, the Board has reviewed in detail the previous technical work on the project and commissioned a Preliminary Economic Assessment which indicated the financial and technical attractiveness of the project.

Over the course of the year the Company has carried out necessary and highly encouraging technical work in relation to the deposit. It has also made extensive progress with the Finnish regulatory authorities and, very importantly, with the landowners in the area. Such administrative and regulatory procedures are an essential part of the mining permit process in Finland.

A particularly interesting feature of the Lahtojoki deposit is the presence of coloured diamonds and, notably, pink diamonds. If present in sufficient amounts the presence of pink diamonds, which sell at a premium, could add significantly to the financial attractiveness of the Lahtojoki diamond deposit.

It is perhaps worth noting that the world's biggest diamond mine, the Argyll mine in Western Australian, is closing. The Argyll mine is famous for its production of pink diamonds, which although contributing less than five per cent of the mine's production of diamonds, accounts for nearly fifty per cent of its revenues.

Diamond Potential around Lahtojoki

Exploration in the vicinity of the Lahtojoki diamond deposit has identified kimberlite boulder fragments. The location of these fragments does not coincide with either of the known ice flow directions from the Lahtojoki deposit. In addition, the kimberlite in the boulder fragments is classified as a type of kimberlite which is rarely found in the Lahtojoki kimberlite pipe. These findings suggest that another kimberlite body may be present nearby. The Company has therefore applied for exploration acreage in the area.

The presence of additional diamond resource potential adjacent to Lahtojoki would, if confirmed, add further to the financial and technical attractiveness of the Lahtojoki diamond deposit.

Diamond Exploration

Karelian Diamond's exploration programme continues to be a success. It has taken time, but successful exploration does take time. It has included the discovery of a diamond – the best possible indicator of a diamond source. It has also resulted in the discovery of two new kimberlite bodies and has identified a series of 21 kimberlite indicator anomalies in the Kuhmo region of Finland and has shown the Seitapera kimberlite body (at 6.9 hectares) to be the largest discovered to date in Finland.

The diamond discovered by the Company is a sparkling clear crystal greenish in colour and 0.8mm in diameter, forming a 12-sided, curved and twinned dodecahedron diamond. It was discovered in a till exploration sample taken on the Company's Anomaly 5 exploration area near Kuhmo in eastern Finland. Such a discovery in diamond exploration is an extremely rare event.

The Company continues with its exploration programme to discover the source of this diamond. The programme has included airborne and ground geophysics and an extensive pitting programme up-ice from the site of the discovery. This has led to the discovery of kimberlite indicator trains, suggesting that the diamond source may be close.

During the year the pitting programme in Anomaly 5 was followed up by a drilling programme. Five drill holes, totalling 274.9 metres ("m"), varying in depth from 16.1m to 74.5m were drilled up ice from the green diamond discovery. This drilling programme was highly encouraging as it has intersected Orangeite (Group II Kimberlite) a potentially diamondiferous rock. (The drill core

material intersected was confirmed as Orangeite by scanning electron microscopy ("SEM") of thin sections at the Geological Survey of Finland ('GTK') laboratories). The best-known example of Orangeite is the Finsch diamond mine in South Africa. Interestingly, in its early days of production, the Finsch mine also produced green diamonds.

The Riihivaara Kimberlite

The discovery by the Company of a kimberlite body at Riihivaara in the Kuhmo region of Finland, the first new kimberlite to be discovered in Finland in over 10 years, was made through a combination of till sampling and ground geophysics. The kimberlite body has, to date, been intersected by five trenches and is still open along strike and at depth.

During the year a drilling programme to follow up on the trenching results was carried out. A total of 56.2m was drilled in five inclined holes, ranging in depth from 5.50m to 14.30m, three of which intersected kimberlite at a deeper level than in the trenches and provided kimberlite material for SEM analysis and thin section studies. This drilling at Riihivaara also led to the discovery of Orangeite (Group II Kimberlite) again indicating diamondiferous potential.

Geological Survey of Finland

Your staff and consultants work in close association with consultants from the GTK both in relation to its technical work at the Lahtojoki diamond deposit and in its overall diamond exploration programme in Finland. The support and advice of the GTK is very much appreciated by your Company.

Agreement with Rio Tinto

Karelian has a Confidentiality Agreement (with Back in Rights) with Rio Tinto Mining and Exploration Limited ("Rio Tinto"). This agreement with Rio Tinto has been extended to 2020.

Under the agreement, Rio Tinto discloses confidential information and physical geological samples relating to exploration in Finland, for the purpose of the Company considering that information in relation to its potential and existing exploration programmes in Finland.

In consideration of Rio Tinto disclosing the confidential information to it, Karelian has agreed that Rio Tinto will have the option to earn a 51 per cent interest in any project identified by Karelian in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project.

Extraordinary General Meetings

The Company has, since just before the close of its financial year, had to contend with a series of actions by a group of shareholders which have hindered the Board of Directors and management from pursuing the Company's business objectives as planned during the period.

These actions culminated in the holding of two separate Extraordinary General Meetings ("EGM") requisitioned by those shareholders. The Requisitionists, in association with a former employee/consultant of the Company, endeavoured to gain control of the Company by removing all but two of the current members of the Board and electing four replacements to the Board.

The resolutions were rejected at the first EGM and the same resolutions were defeated by an even larger majority at the second EGM.

Finance

The loss after taxation for the financial year ended 31 May 2019 was €370,654 (2018: €439,568) and the net assets as at 31 May 2019 were €9,189,779 (2018: €9,016,467).

Subsequent to the year-end the Company raised a total of £150,000 (€167,377) in two separate tranches through subscriptions for 3,928,571 ordinary shares in the capital of the Company. 2,500,000 of these shares were subscribed for at a price of £0.04 per share, while 1,428,571 shares were subscribed for at a price of £0.035 per share.

Directors and Staff

I would also like to express my deep appreciation of the support and dedication of all the directors, consultants and staff, which has made possible the continued progress and success which the Company has achieved. I particularly welcome Howard Bird to the Board.

I would especially like to express appreciation and thanks to Louis Maguire who is not going forward for re-election as a director at the forthcoming annual general meeting. Louis was a founding director of the Company and has played a major role in its development and success.

Future Outlook

I look forward to the Company continuing with its record of success in exploration and development, to the successful development of a diamond mine at Lahtojoki and becoming a profitable Company. In turn I would hope to see a share price that will reflect what I, and your Board, consider to be the true value of the Company, having regard to the assets the Company has acquired and its exploration success.

Professor Richard Conroy

Chairman

Extract from the Independent Auditor's Report

The following section is extracted from the Independent Auditor's Report, but shareholders should read in full the Independent Auditor's Report contained in the Annual Report.

Material uncertainty related to going concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of €370,654 during the year ended 31 May 2019 and, as of that date, the Company had net current liabilities of €804,871.

In response to this, we:

- Obtained an understanding of the Company's controls over the preparation of cash flow forecasts and approval of the projections and assumptions used in cash flow forecasts to support the going concern assumption and assessed the design and implementation of these controls;
- We evaluated management's plans and their feasibility by testing the key assumptions used in the cash flow forecast provided by agreeing the inputs to historical run rates, expenditure commitments and other supporting documentation;
- Inspected confirmations received by the Company from the Directors and former Directors that they will not seek repayment of amounts owed to them by the Company within 12 months of the date of approval of the financial statements, unless the Company has sufficient funds to repay;

- Tested the clerical accuracy of the cash flow forecast model; and
- Assessed the adequacy of the disclosures made in the financial statements.

As stated in Note 1, these events or conditions along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Income Statement for the financial year ended 31 May 2019

	2019 €	2018 €
Continuing operations		
Operating expenses	(370,654)	(439,568)
Loss before taxation	<u>(370,654)</u>	<u>(439,568)</u>
Income tax expenses	-	-
Loss for the financial year	<u>(370,654)</u>	<u>(439,568)</u>
Loss per share		
Basic and diluted loss per share	<u>(€0.0109)</u>	<u>(€0.0188)</u>

The total loss for the financial year is entirely attributable to equity holders of the Company.

Statement of Comprehensive Income for the financial year ended 31 May 2019

	2019 €	2018 €
Loss for the financial year	(370,654)	(439,568)
Income/expense recognised in other comprehensive income	-	-
Total comprehensive income for the financial year	<u>(370,654)</u>	<u>(439,568)</u>

The total comprehensive income for the financial year is entirely attributable to equity holders of the Company.

Statement of Financial Position as at 31 May 2019

	31 May 2019 €	31 May 2018 €
Assets		
Non-current assets		
Intangible assets	10,152,733	9,661,559
Financial assets	4	4
Total non-current assets	<u>10,152,737</u>	<u>9,661,563</u>
Current assets		

Cash and cash equivalents	30,833	18,703
Other receivables	102,989	241,859
Total current assets	133,822	260,562
Total assets	10,286,559	9,922,125
Equity		
Capital and reserves		
Called up share capital	8,622	5,844
Called up deferred share capital	3,174,672	3,174,672
Share premium	8,768,276	8,201,664
Share-based payments reserve	456,624	519,159
Retained losses	(3,218,415)	(2,884,872)
Total equity	9,189,779	9,016,467
Liabilities		
Non-current liabilities		
Trade and other payables: amounts falling due after more than one year	158,087	192,489
Total non-current liabilities	158,087	192,489
Current liabilities		
Trade and other payables: amounts falling due within one year	938,693	713,169
Total current liabilities	938,693	713,169
Total liabilities	1,096,780	905,658
Total equity and liabilities	10,286,559	9,922,125

The financial statements were approved by the Board of Directors on 21 November 2019 and authorised for issue on 22 November 2019.

Statement of Cash Flows for the financial year ended 31 May 2019

	2019	2018
	€	€
Cash flows from operating activities		
Loss for the financial year	(370,654)	(439,568)
<i>Adjustments for:</i>		
Expense recognised in income statement in respect of equity settled share-based payments	5,966	-
Increase in trade and other payables	225,524	234,367
Decrease/(increase) in other receivables	79,974	(109,960)
Net cash used in operating activities	(59,190)	(315,161)
Cash flows from investing activities		
Investment in exploration and evaluation	(491,174)	(384,604)
Cash used in investing activities	(491,174)	(384,604)
Cash flows from financing activities		
Repayments from Conroy Gold and Natural Resources P.L.C.	148,293	160,663
Advances to Conroy Gold and Natural Resources P.L.C.	(89,397)	-
Issue of share capital	534,988	-
Share issue costs	(31,390)	-

Advances from Directors	-	34,561
Repayments of loans to Directors	-	(80)
Net cash provided by financing activities	562,494	195,144
Increase/(decrease) in cash and cash equivalents	12,130	(504,621)
Cash and cash equivalents at beginning of financial year	18,703	523,324
Cash and cash equivalents at end of financial year	30,833	18,703