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

30 November 2020

FINAL RESULTS FOR THE YEAR TO 31 MAY 2020

NOTICE OF ANNUAL GENERAL MEETING

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 2020.

Highlights:

- Additional reservations granted, adjacent to already held and known kimberlite bodies.
- Formal right of way granted giving vehicular access to Lahtojoki diamond deposit and surrounding areas.
- Analysis of available data and reports in relation to Lahtojoki suggest that coloured stones could amount to as much as seven per cent of the diamond content of the deposit.
- Howard Bird appointed as non-executive director.
- Additional funds raised both during and post period.

Professor Richard Conroy, Chairman, stated:

"Despite the distraction and cost of the EGMs called, the Company has moved closer to the development of the diamond mine at Lahtojoki, and based on the data available we are confident that it has a significant proportion of high value coloured stones within the deposit."

Final Results for the Year to 31 May 2020

The full audited annual report and accounts for the year to 31 May 2020 ("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 (www.kareliandiamondresources.com) 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 2.30pm on 23 December 2020 at the Company's office 3300 Lake Drive, Citywest Business Campus, Dublin 24 D24 TD21. A copy of the notice of AGM, which has been posted to shareholders, will be able to be viewed shortly on the Company's website.

Coronavirus (COVID-19) Impact on the AGM

Given the current situation in relation to COVID-19, this year's AGM format will be a closed meeting and purely procedural in format. In addition, all resolutions will be taken on a poll (with votes cast by proxy). Shareholders should therefore not attend the AGM in person this year as to do so would be inconsistent with current government guidelines relating to COVID-19. Shareholders will still be able to vote by proxy using the usual online and postal facilities and further details on how to vote are set out in the Notice of AGM.

For further information please contact:

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www.kareliandiamondresources.com

Key Information Extracted from Annual Report

Chairman's statement

I have great pleasure in presenting your Company's annual report and financial statements for the year ended 31 May 2020. The year has been one of further progress at the Company's two major diamond projects in Finland.

Business Development

One is the development of the Lahtojoki diamond deposit, in the Kuopio Kaavi region of Finland, over which the Company has been granted a mining concession. The Directors believe that the Lahtojoki deposit is one of the few diamond deposits in the world at a relatively advanced stage of development. It is situated in a highly favourable location with excellent infrastructure including good road access and power distribution, combined with local technical and logistics availability, thereby significantly reducing the potential mine capital and operating costs. A Preliminary Economic Assessment ("PEA") of the deposit was completed by the Company in 2017 and is technically and financially positive with a projected 2.11M carats recoverable over a 9 year mine life.

The Company's other major project is its diamond exploration programme in the emerging kimberlite field in the Kuhmo region of Finland. Again, the location allows exploration to be conducted at a far lower cost than were it, for example, to be high up in a Canadian Arctic setting, in the Australian outback or elsewhere in the world without supporting infrastructure. Equally should a discovery be made in the Kuhmo area it too will have similar infrastructural advantages as at Lahtojoki.

The Company's main diamond projects are located in the Finnish section of the Karelian Craton. The Archean-aged Karelian Craton stretches across Eastern Russia and Northern Finland and is highly prospective for diamonds. The world class Lomonosov and Grib Pipe diamond deposits have been discovered in the Russian sector of the Craton and ALROSA, the major Russian diamond company, has indicated that this region is expected to represent most of its future growth. The Finnish section of the Craton, covering an area of over 180,000 sq. km., is comparable in size to the diamond rich Slave Lake Craton in Canada.

Finland has an established mining tradition and is politically and economically stable. There is security of tenure and fiscal framework and Finland regularly ranks in the top ten in the prestigious Fraser Institute Mining ratings.

I am very pleased that Howard Bird, who was previously a geoscience consultant to the Company, joined the Board as a non-executive director in September 2019. Howard has extensive experience in both diamond exploration and development. He was Senior Vice President of Global Exploration for TSX and AIM listed SouthernEra Diamonds Ltd., where he spent over 15 years in the diamond industry. He managed and was involved in programmes that have led to the discovery of over 100 kimberlites working in Canada, Australia, Brazil, South Africa, Angola, Zimbabwe, Democratic Republic of Congo, Botswana and Gabon.

Mr. Bird was involved in the discovery to production success of several new economic diamond deposits while at SouthernEra, including the Marsfontein pipe, Sugerbird Blow and Klipspringer mine in South Africa, and he worked on one of the world's largest pipes, the Camafuca kimberlite in Angola. Howard will continue to act as a geoscience consultant to the Company.

Lahtojoki Diamond Deposit

During the year the regulatory processes of obtaining a full mining permit over the Lahtojoki diamond deposit have reached an advanced stage despite the inevitable delays caused by the COVID-19 pandemic.

The mining concession over the Lahtojoki diamond deposit has already been approved by TUKES (The Finnish Mining Authority). The National Land Survey, on the order of TUKES, is currently undertaking the process of establishing the mining concession for the applied area. This has to be completed prior to TUKES issuing a full mining permit. This process by the National Land Survey has involved a series of public meetings and also submissions by the relevant landowners and the

Company. It is now in its final stages but due to COVID-19, it will not be completed by the National Land Survey until 2021.

Also, in July 2020, the National Land Survey of Finland formally granted to the Company rights of way to the entire Nariskangas private forest road, together with a side road, giving vehicular access to the deposit, the adjacent Lahtojoki South exploration permit area and the surrounding reservation in the Kaavi region of Finland. The granting of vehicular rights of way will facilitate the Company in its technical assessment of the deposit. The grant of vehicular rights gained legal force in August 2020.

A further and possibly highly important feature of the Lahtojoki deposit which has been receiving particular attention during the year is the presence of coloured stones and especially, the occurrence of pink diamonds in the deposit. The importance of pink diamonds may be put into context when one considers that pink diamonds, although accounting for less than five per cent of the diamond production of what was the world's biggest diamond mine, the Argyle diamond mine in Western Australia, accounted for nearly fifty per cent of its revenue.

Analysis of available data and reports in relation to Lahtojoki suggest that coloured stones could amount to as much as seven per cent of the diamond content of the deposit and that perhaps three per cent could be pink diamonds.

Additionally, examination of a pink diamond from the Lahtojoki deposit made available for inspection by the Company, together with photographs of diamonds from the deposit, indicates that the pink diamonds in the Lahtojoki deposit are of high quality.

Coloured diamonds, especially pink diamonds, which have recently been achieving very high prices, are expected to increase further in price due to the closure of the Argyle Mine which has been the main global source of high quality pink diamonds.

Diamond Exploration Programmes

Lahtojoki

Kimberlite boulders discovered to the south of the Lahtojoki diamond deposit are comprised of material which does not appear to be derived from the Lahtojoki kimberlite. This suggests that these boulders may come from an undiscovered kimberlite up ice. The Company, therefore, applied for and has been granted an exploration permit over the relevant area.

The possible existence of a further diamondiferous kimberlite nearby, if confirmed, would, in the Board's view, further increase the attractiveness of the Lahtojoki diamond deposit. The Company has therefore commenced an exploration programme in the area.

Kuhmo

The Company's exploration programme in the Kuhmo region of eastern Finland, close to the Russian border, has already led to the discovery of a new kimberlite body, at Riihivaara, and a series of kimberlite anomalies. On one of these, Anomaly 5, a green diamond has been discovered by the Company in till. Such a discovery is a very rare event.

The Company has applied for, and been granted by TUKES, two diamond reservations around the Company's Riihivaara kimberlite discovery and also around the Anomaly 5 diamond discovery. These reservations secure the adjacent ground to licences already held by the Company over known kimberlite bodies. The relevance of this is that kimberlites tend to occur in clusters and in both of these areas there are indications of the possible presence of additional kimberlites.

The results to date encourage the Company to believe that the Kuhmo region in Eastern Finland, could be part of a new kimberlite province.

Ireland

The historic discovery of the Brookeborough diamond in Ireland together with more recent reports of the presence of indicator minerals has led the Company to apply for and obtain an exploration licence over the area. Preliminary assessment is underway.

COVID-19 Update

Since the outbreak of the COVID-19 pandemic, the Company has taken necessary measures in accordance with Government guidelines to protect the health, safety and wellbeing of its employees, contractors and partners in Finland and Ireland. COVID-19 continues to limit field and laboratory work given the restrictions on operations and movement and other work also continues in relation to the Company's exploration and development programme.

Directors and executives took a 50% reduction in fees and salaries while technical and field staff took a 25% reduction in salaries.

Extraordinary General Meetings

During the year under review, the Company has 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 year.

These actions culminated in the holding of two separate Extraordinary General Meetings ("EGM") in July 2019 and October 2019 following requisitions being received from these shareholders. The requisitionists, in association with a former employee/consultant to 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, nominated by them, to the Board.

The resolutions were rejected by shareholders of the Company 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 2020 was €446,710 (2019: €370,654) and the net assets as at 31 May 2020 were €9,126,781 (2019: €9,189,779).

During the year the Company raised €167,777 (£150,000) 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 4 pence per share, while 1,428,571 shares were subscribed for at a price of 3.5 pence per share. The Company raised a further £240,000 through a subscription for £120,000 at a price of 4 pence per share and a convertible loan of £120,000 convertible at a price of 10 pence per share.

Subsequent to the year-end the Company also raised €465,761 (£420,000) through a placing of 10,500,000 ordinary shares at a price of 4 pence per ordinary 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.

Future Outlook

I look forward to continued success and in particular to progress in the development of a mine at Lahtojoki and further exploration success.

Professor Richard Conroy

Chairman

30 November 2020

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 relating to going concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of €466,710 during the financial year ended 31 May 2020 and, as of that date, the Company had net current liabilities of €1,247,702.

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 determined the implementation of these controls;

• Evaluated directors' plans and their feasibility by challenging the key assumptions used in the cash flow forecast provided by agreeing the inputs to expenditure commitments and other supporting documentation;

• Obtained an understanding of directors' plans to enable the Company to raise the funds required to meet the expenditure commitments of the Company;

• 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;

• Assessed the mechanical accuracy of the cash flow forecast model; and

• Assessed the adequacy of the disclosures made in the financial statements.

We obtained evidence of the post year end share issues supporting the cash flow projections for the Company.

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 2020

	2020	2019
	€	€
Continuing operations		
Operating expenses	**(446,710)**	(370,654)
Loss before taxation	**(446,710)**	(370,654)
Income tax expense	**-**	-
Loss for the financial year	**(446,710)**	(370,654)
Loss per share		
Basic and diluted loss per share	**(0.0111)**	(0.0109)

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 2020

	2020	2019
	€	€
Loss for the financial year	**(446,710)**	(370,654)
Income recognised in other comprehensive income	**-**	-
Total comprehensive loss for the financial year	**(446,710)**	(370,654)

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

Company.

Statement of Financial Position as at 31 May 2020

	31 May 2020	31 May 2019 As restated
	€	€
Assets		
Non-current assets		
Intangible assets	**10,523,570**	10,152,733
Financial assets	**4**	4
Total non-current assets	**10,523,574**	10,152,737
Current assets		
Cash and cash equivalents	**15,942**	30,833
Other receivables	**118,991**	102,989
Total current assets	**134,933**	133,822
Total assets	**10,658,507**	10,286,559
Equity		
Capital and reserves		
Share capital presented as equity	**3,185,432**	3,183,294
Share premium	**9,150,829**	8,768,276
Share-based payments reserve	**456,624**	456,624
Retained deficit	**(3,666,104)**	(3,218,415)
Total equity	**9,126,781**	9,189,779

Liabilities

Non-current liabilities		
Convertible loan	**148,945**	-
Derivative liability	**146**	-
Total non-current liabilities	**149,091**	-
Current liabilities		
Trade and other payables	**1,288,973**	938,693
Related party loans	**93,662**	158,087
Total current liabilities	**1,382,635**	1,096,780
Total liabilities	**1,531,726**	1,096,780
Total equity and liabilities	**10,658,507**	10,286,559

The financial statements were approved by the Board of Directors on 30 November 2020 and authorised for issue on 30 November 2020.

Statement of changes in equity for the financial year ended 31 May 2020

	Share capital €	Share premium €	Share-based payment reserve €	Retained deficit €	Total equity €
Balance at 1 June 2019	**3,183,294**	**8,768,276**	**456,624**	**(3,218,415)**	**9,189,779**
Share issue	**2,138**	**382,553**	**-**	**-**	**384,691**
Share issue costs	**-**	**-**	**-**	**(979)**	**(979)**
Loss for the financial year	**-**	**-**	**-**	**(446,710)**	**(446,710)**
Balance at 31 May 2020	**3,185,432**	**9,150,829**	**456,624**	**(3,666,104)**	**9,126,781**
Balance at 1 June 2018	3,180,516	8,201,664	519,159	(2,884,872)	9,016,467
Share issue	2,778	566,612	-	-	569,390
Share issue costs	-	-	-	(31,390)	(31,390)
Share-based payments	-	-	5,966	-	5,966
Transfer from share-based payment reserve to retained deficit	-	-	(68,501)	68,501	-
Loss for the financial year	-	-	-	(370,654)	(370,654)
Balance at 31 May 2019	3,183,294	8,768,276	456,624	(3,218,415)	9,189,779

Statement of Cash Flows for the financial year ended 31 May 2020

	2020	2019
	€	€
Cash flows from operating activities		
Loss for the financial year	**(446,710)**	(370,654)
Adjustments for:		
Expense recognised in income statement in respect of		
equity settled share-based payments	**-**	5,966
Interest expense	**3,262**	-
	(443,448)	(364,688)
Increase in trade and other payables	**350,280**	225,524
(Increase)/decrease in other receivables	**(11,774)**	79,974
Net cash used in operating activities	**(104,942)**	(59,190)
Cash flows from investing activities		
Investment in exploration and evaluation	**(370,837)**	(491,174)
Repayments from Conroy Gold and Natural Resources P.L.C.	**40,818**	148,293
Payments to Conroy Gold and Natural Resources P.L.C.	**(45,046)**	(89,397)
Net cash used in investing activities	**(375,065)**	(432,278)
Cash flows from financing activities		
Issue of share capital	**320,266**	534,988
Share issue costs	**(979)**	(31,390)
Proceeds from convertible loan issue	**145,829**	-
Net cash provided by financing activities	**465,116**	503,598
(Decrease)/increase in cash and cash equivalents	**(14,891)**	12,130

Cash and cash equivalents at beginning of financial year	**30,833**	18,703
Cash and cash equivalents at end of financial year	**15,942**	30,833

Notes to the consolidated financial statements for the financial year ended 31 May 2020

1 Accounting policies

Reporting entity
Karelian Diamond Resources P.L.C. (the "Company") is a company domiciled in Ireland. The Company is a public limited company incorporated in Ireland under registration number 382499. The registered office is located at 3300 Lake Drive, Citywest Business Campus, Dublin 24, D24 TD21, Ireland.

Basis of preparation
The financial statements are presented in Euro ("€"). The € is the functional currency of the Company. The financial statements are prepared under the historical cost basis except for derivative financial instruments which, if any, are measured at fair value at each reporting date.

The preparation of financial statements requires the Board of Directors and management to use judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Details of significant judgements are disclosed in the accounting policies.

The financial statements were authorised for issue by the Board of Directors on 30 November 2020.

Going concern
The Company incurred a loss of €446,710 (2019: a loss of €370,654) for the financial year ended 31 May 2020. The Company had net assets of €9,126,781 (2019: €9,189,779) at that date. The Company had net current liabilities of €1,247,702 (2019: net current liabilities of €962,958) at the statement of financial position date.

The Directors, Professor Richard Conroy, Séamus P. FitzPatrick, Maureen T.A. Jones, Dr. Sorċa Conroy, Brendan McMorrow, Howard Bird and former directors James P. Jones and Louis J. Maguire, have confirmed that they will not seek repayment of amounts owed to them by the Company of €902,805 (2019: €738,429) within 12 months of the date of approval of the financial statements, unless the Company has sufficient funds to repay.

Subsequent to the year-end, the Company raised a total of €465,761 (£420,000) through subscriptions for 10,500,000 ordinary shares in the capital of the Company (please see Note 18 for details).

The Board of Directors have considered carefully the financial position of the Company and in that context, have prepared and reviewed cash flow forecasts for the period to November 2021. As set out further in the Chairman's statement, the Company expects to incur capital expenditure in 2021, consistent with its strategy as an exploration company. The Directors recognise that net current liabilities of €1,247,702 is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In reviewing the proposed work programme for exploration and evaluation assets and, on the basis of the equity raised during the financial year, the results obtained from the exploration programme and the prospects for raising additional funds as required, the Board of Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that would arise if the Company was unable to continue as going concern.

Statement of compliance

The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union ("EU").

Recent accounting pronouncements
The following new standards, amendments to standards and interpretations adopted and endorsed by the EU have been issued to date and are not yet effective for the financial year from 1 June 2019:

- Amendments to references to the Conceptual Framework in IFRS Standards – Effective date 1 January 2020
- Amendments to IFRS 3 Business Combinations – Definition of a Business – Effective date 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Effective date 1 January 2020
- Amendment to IFRS 16 about providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification – Effective date 1 June 2020

The adoption of the above amendments to standards and interpretations is not expected to have a significant impact on the financial statements either due to being not applicable or immaterial.

The following new standard and amendments to standards have been issued by the International Accounting Standards Board but have not yet been endorsed by the EU, accordingly none of these standards have been applied in the current year. The Board of Directors are currently assessing whether these standards once endorsed by the EU will have any impact or a material impact on the financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture – Postponed indefinitely
- IFRS 1 amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter) – Effective date 1 January 2022
- IFRS 3 amendments updating a reference to the Conceptual Framework – Effective date 1 January 2022
- IFRS 4 amendments regarding the expiry date of the deferral approach – Effective date 1 January 2023
- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, and IAS 39 regarding replacement issues in the context of the IBOR reform – Effective date 1 January 2021
- IFRS 9 amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) – Effective date 1 January 2022
- IFRS 17: Insurance contracts – Effective date deferred to 1 January 2023
- IAS 1 amendments regarding the classification of liabilities - Effective date 1 January 2023
- IAS 16 amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use – Effective date 1 January 2022
- IAS 37 amendments regarding the costs to include when assessing whether a contract is onerous – Effective date 1 January 2022

2. Loss per share

Basic loss per share

	2020	2019
	€	€
Loss for the year attributable to equity holders of the Company	**(446,710)**	(370,654)
Number of ordinary shares at start of the financial year	**34,489,178**	23,378,067
Number of ordinary shares issued during the financial year	**8,553,571**	11,111,111

Number of ordinary shares at end of the financial year	**43,042,749**	34,489,178
Weighted average number of ordinary shares for the purposes of basic loss per share	**40,243,826**	34,154,324
Basic and diluted loss per ordinary share	**(0.0111)**	(0.0109)

Diluted loss per share
The effect of share options and warrants is anti-dilutive.

3. Intangible assets

Exploration and evaluation assets

Finland **Cost**	**31 May** **2020** **€**	31 May 2019 €
At 1 June	**10,152,733**	9,661,559
Expenditure during the financial year:		
• Licence and appraisal costs	**208,378**	298,829
• Other operating expenses (Note 2)	**162,459**	192,345
At 31 May	**10,523,570**	10,152,733

Exploration and evaluation assets relate to expenditure incurred in the development of mineral exploration opportunities. These assets are carried at historical cost and have been assessed for impairment in particular with regard to the requirements of IFRS 6: *Exploration for and Evaluation of Mineral Resources* relating to remaining licence or claim terms, likelihood of renewal, likelihood of further expenditure, possible discontinuation of activities as a result of specific claims and available data which may suggest that the recoverable value of an exploration and evaluation asset is less than its carrying amount.

The Board of Directors have considered the proposed work programmes for the underlying mineral resources. They are satisfied that there are no indications of impairment.

The Board of Directors note that the realisation of the intangible assets is dependent on further successful development and ultimate production of the mineral resources and the availability of sufficient finance to bring the resources to economic maturity and profitability.

4. Cash and cash equivalents

	31 May **2020** **€**	31 May 2019 €
Cash held in bank accounts	**15,942**	30,833
	15,942	30,833

5. Non-current liabilities – as restated

Convertible loan

On 10 December 2019, the Company has entered into a convertible loan note agreement for a total amount of €145,829 (£120,000) with one of its shareholders. The convertible loan note is unsecured, has a term of three years and attracts interest at a rate of 5% per annum which is payable on the maturity or conversion of the convertible loan. The conversion price is 10 pence. The shareholder has the right to seek conversion of the principal amount outstanding on the convertible loan note and all interest accrued at any time during the term. Any conversion of the convertible loan note will be a for a minimum of €60,761 (£50,000) of loan notes. The amount of €146 relates to derivative liability attached to the convertible loan note. Interest incurred on this convertible loan note is €3,262 for the period.

6. Current liabilities - as restated

Trade and other payables

	31 May 2020	31 May 2019
	€	€
Accrued Directors' remuneration		
Fees and other emoluments	**639,555**	475,179
Pension contributions	**263,250**	263,250
Other creditors and accruals	**386,168**	200,264
	1,288,973	938,693

It is the Company's practice to agree terms of transactions, including payment terms with suppliers. It is the Company's policy that payment is made according to the agreed terms. The carrying value of the trade and other payables approximates to their fair value.

Related party loans

	31 May 2020	31 May 2019
	€	€
Opening balance 1 June	**158,087**	192,489
Loan conversion into shares*	**(71,425)**	(34,402)
Loan advances**	**7,000**	-
Closing balance 31 May	**93,662**	158,087

Prior to the various placings of shares, the immediate funding requirements of the Company had been financed by advances from Professor Richard Conroy (Director, executive chairman and major shareholder) and Maureen T.A. Jones (Director, managing director and shareholder). The Directors' have confirmed that they will not seek repayment of amounts owed by the Company at 31 May 2020 within 12 months of the date of approval of the financial statements, unless the Company has sufficient funds to repay. There is no interest payable in respect of these loans, no security has been attached to these loans and there is no repayment or maturity terms.

*On 3 September 2019, Professor Richard Conroy capitalised loans amounting to €71,425 (£65,000) into 1,625,000 new ordinary shares of nominal value €0.00025 each.
**This amount relates to a loan provided by Maureen T.A. Jones to the Company.

7. Commitments and contingencies

At 31 May 2020, there were no capital commitments or contingent liabilities (2019: €Nil) recognised at the reporting date. Should the Company decide to further develop the Lahtojoki project, an amount of €60,000 is payable by the Company to the vendors of the Lahtojoki mining concession.

8. Post balance sheet events

Subsequent to the year-end, the Company raised a total of €465,761 (£420,000) through subscriptions for 10,500,000 ordinary shares in the capital of the Company. 10,500,000 of these shares were subscribed for at a price of £0.04 per share. In addition, the Company broker, Brandon Hill Capital Ltd, will be granted warrants to subscribe for 525,000 new ordinary shares in the Company at an exercise price of 4 pence per Ordinary Share for a period of 30 months from admission date.

COVID-19 continues to limit field and laboratory work given the restrictions on operations and movement and other work also continues in relation to the Company's exploration and development programme.

There were no other material events subsequent to the reporting date which necessitate revision of the figures or disclosures included in the financial statements.

9. Prior year adjustment

The Statement of Financial Position as at 31 May 2019 previously presented related party loans amounting to €158,087 within non-current liabilities. Following a review of the applicable terms and conditions, the Directors determined that these amounts should, more appropriately, be classified within current liabilities. The Statement of Financial Position as at 31 May 2019 have therefore been adjusted to reflect the impact of this reclassification.

In line with the requirements of IAS 8 *Accounting policies, changes in accounting estimates and errors*, the comparative figures for the year ended 31 May 2019 have been restated as follows:

Balance Sheet	**As previously stated 31 May 2019**	**Effect of restatement 31 May 2019**	**As restated 31 May 2019**
	€	**€**	**€**
Non-current liabilities			
Related party loans	158,087	(158,087)	-
Total non-current liabilities	**158,087**	**(158,087)**	**-**
Current liabilities			
Trade and other payables	938,693	-	938,693
Related party loans	-	158,087	158,087
Total current liabilities	**938,693**	**158,087**	**1,096,780**

There is no impact on Net Assets, Total equity and liabilities or the Statement of Comprehensive Income.

10. Approval of the audited financial statements for the financial year ended 31 May 2020

These audited financial statements were approved by the Board of Directors on 30 November 2020. A copy of the audited financial statements will be available on the Company's website www.kareliandiamondresources.com and will be available from the Company's registered office at 3300 Lake Drive, Citywest Business Campus, Dublin 24, D24 TD21, Ireland.