

*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”)

16 November 2018

**FINAL RESULTS FOR THE YEAR TO 31 MAY 2018  
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 2018.

**Highlights:**

- Preliminary economic assessment (“PEA”) on the Lahtojoki diamond deposit completed, large Eastern lobe of the deposit tested, with positive results, and adjacent exploration acreage acquired.
- Lahtojoki mining concession granted.
- Exploration programme to discover the source of the green diamond carried out. This led to the discovery of kimberlite indicator train.

**Post Period**

- Results on sample material taken up ice from the green diamond site confirmed that the sample material contains indicator minerals derived from the diamond stability field.
- Recent drill core sampling at depth has intersected orangeite (Group II Kimberlite), a potentially diamondiferous host rock, in drill holes up-ice of the green diamond.

**Professor Richard Conroy, Chairman, stated:**

*“After a year of exploration success, we have built on that with significant progress towards identifying the source of the green diamond and, post period, the discovery of Orangeite (Group II Kimberlite) and importantly we are accelerating work towards possible mine development at the Lahtojoki diamond deposit, having received a positive PEA and excellent assay results from the large Eastern lobe.”*

## **Final Results for the Year to 31 May 2018**

The full audited annual report and accounts for the year to 31 May 2018 (“Annual Report”) can be viewed below:

<https://www.kareliandiamondresources.com/sites/default/files/KDR-AR-2018.pdf>

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 12.00 noon on 7 December 2018. A copy of the notice of AGM, which has been posted to shareholders, can be viewed on the Company’s website.

## **Directorate Change**

The Board is pleased to announce the appointment of Mr Brendan McMorrow as a non-executive Director of the Company with immediate effect.

Brendan McMorrow has over 25 years’ experience in a number of public companies in the oil and gas and base metals mining sectors listed in London, Toronto and Dublin where he held senior executive finance roles. He is currently Finance Director of Dunraven Resources PLC, an Oil and gas exploration and development company. Prior to that he was Chief Financial Officer of Circle Oil PLC from 2005 to 2015, an AIM oil and gas development and production company with operations in North Africa and the Middle East where he was responsible for all corporate financial and funding matters. He was appointed as a non-executive director of Conroy Gold and Natural Resources plc in August 2017.

Prior to joining Circle Oil Plc Brendan was Chief Financial Officer / Group Finance Manager of Ivernia Inc from 2001 to 2005, a Toronto listed (TSX) base metals mining company which developed and brought into production the Paroo Station lead mine in Western Australia one of the largest lead carbonate mines in the world at the time. From 1988 to 2001 he was Group Finance Manager of Ivernia West PLC, a Dublin listed (ESM) base metals mining company which discovered and brought into production along with Anglo American Plc the world class Lisheen zinc mine in Ireland. Brendan is a business graduate of Sligo Institute of Technology and a Fellow of the Chartered Association of Certified Accountants.

## ***Chairman, Professor Richard Conroy commented:***

“I am delighted that Brendan McMorrow has been appointed to the Board. His depth of financial and corporate expertise allied with his knowledge of the mining industry in Ireland and internationally will, I believe, contribute greatly to the Company as it progresses with its diamond exploration in Finland and its Lahtojoki diamond deposit in Eastern Finland which, if developed, would be the first diamond mine in Europe, outside Russia.”

For further information please contact:

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[www.kareliandiamondresources.com](http://www.kareliandiamondresources.com)

### **Disclosures under Schedule 2 of the AIM Rules**

<b>Name / Age:</b>	Brendan McMorow – 66
<b>Current directorships:</b>	Conroy Gold and Natural Resources plc Dunraven Resources plc Circle Oil Tunisia Limited M & C Financial Services Limited Greenfield Park Management Company Limited
<b>Former directorships:</b>	Circle Oil Egypt Limited Circle Oil Maroc Limited Circle Oil Tunisia Limited Circle Oil Oman Limited Circle Oil Oman Offshore Limited

### **Key Information Extracted from Annual Report**

#### **CHAIRMAN'S STATEMENT**

I have pleasure in presenting your Company's Annual Report and Financial Statements for the financial year ended 31 May 2018.

The year has been a very positive one, during which the Company has followed up on its exploration successes, including the discovery of a green diamond and a new kimberlite pipe and has carried out a Preliminary Economic Assessment ("PEA"), of the Lahtojoki diamond deposit in Kuopio-Kaavi, over which it has been granted a mining concession.

## **Business Development**

Your Company's diamond exploration and 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. Your Company's objective is to discover, or acquire, and develop diamond deposits in the Finnish sector of the Craton.

Your Company has acquired a diamond deposit at Lahtojoki in the Kuopio–Kaavi region of Finland, discovered a diamond in a till sample taken on its Anomaly 5 exploration area near Kuhmo in Eastern Finland, discovered a new kimberlite body at Riihivaara, also in the Kuhmo region, and demonstrated that the Seitapera diamondiferous kimberlite is the largest kimberlite body discovered to date in Finland.

During the year, the Company completed a PEA on the Lahtojoki diamond deposit and also tested the large Eastern lobe of the deposit, with positive results. In addition, exploration acreage adjacent to Lahtojoki has been acquired and exploration accelerated at Riihivaara and Anomaly 5, where the green diamond was discovered.

### **The Lahtojoki Diamond Deposit**

The Lahtojoki diamond deposit was acquired from A & G Mining Oy ("AGM"), a private Finnish company. The deposit is situated in the Kuopio–Kaavi region in Finland. The location is highly favourable for development with excellent infrastructure, including good roads, power distribution and local technical and logistic availability.

Your Company has been granted a mining concession over the deposit. A PEA carried out during the year has been very positive, both technically and financially. In excess of 2M carats appear to be recoverable with an in-situ value of US\$211M. An open/vertical pit mining operation is recommended with a 9+ year life-of mine, with payback by year two, an IRR of 55% and an NPV (8%) of circa US\$39.1M.

Microdiamond analysis of drillcore from the previously untested Eastern lobe, which represents the largest part of the Lahtojoki diamond deposit and has a high proportion of the overall tonnage of the deposit, has yielded results comparable to those in the smaller Western and Central portions of the deposit. These results have given increased confidence for the economics of the deposit and indicated the potential for high quality diamonds of good colour and shape.

The general quality of the micro diamonds in the Eastern lobe is good. Inclusions in the crystals are either absent or very slight and the majority (90%) of the stones are white/colourless. While microdiamond characteristics are not guaranteed to be similar in the commercial sized diamond population, their attributes do indicate the potential for high quality diamonds.

Finland is recognised by the prestigious Fraser Institute as one of the most attractive jurisdictions in the world for mining investment, and the mine would be the first diamond mine in Europe (outside Russia).

The Company acts in close association with consultants from the Geological Survey of Finland (“GTK”).

### **Diamond Exploration 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 the area; also the kimberlite in the boulder fragments is classified as cohesive (hypabyssal) kimberlite which is an extremely rare kimberlite facies in the Lahtojoki Kimberlite pipe. These findings suggest that another kimberlite body may be present. Your Company has therefore applied for exploration acreage in the area.

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

### **Green Diamond Discovery**

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

The Company has since been actively engaged in an exploration programme to discover the source of the diamond. The programme has included airborne and ground geophysics and an extensive pitting programme up-ice from the site of the discovery and has led to the discovery of kimberlite indicator trains, suggesting that the diamond source may be close.

During the year, drilling and further laboratory analyses have been carried out directed towards narrowing down the source of the diamond with, post year end, the discovery of an orangeite (Group II kimberlite) a potentially diamondiferous host rock, in drillcore samples from three drill holes.

Also post period Electron Probe Microanalyser results on sample material taken up-ice from where the Company discovered the green diamond has confirmed that the sample material contains indicator minerals derived from the diamond stability field of the Earth’s mantle.

### **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.

### **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 your 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% interest in any project identified by Karelian in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project.

### **Finance**

The loss after taxation for the financial year ended 31 May 2018 was €439,568 (2017: €410,814) and the net assets as at 31 May 2018 were €9,016,467 (2017: €9,456,036).

During the year the Company cancelled the admission of its ordinary shares to trading on ESM. The Company’s ordinary shares continue to be admitted to trading on AIM.

On 11 June 2018, the Company raised £500,000 (€569,390) before expenses through the issue of 11,111,111 new ordinary shares at 0.45p sterling for each ordinary share. 388,889 broker warrants were issued in conjunction with this share placing. These warrants have an exercise price of £0.045 sterling and are exercisable until 11 December 2020.

### **Share Consolidation**

At the Annual General Meeting held on 21 December 2017, the Directors proposed that the issued and unissued ordinary shares would be consolidated into new ordinary shares (“Consolidated Shares”) of €0.00025 each. This proposal was accepted by the shareholders and thereafter each existing shareholder held 1 new ordinary share in place of each 25 existing shares.

### **Directors and Staff**

I would 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 would especially like to pay tribute to James P. Jones who did not go forward at the last AGM. James was a founder director of the Company and has played an outstanding role in

the overall progress and success of the Company, particularly in relation to its financial affairs, as Financial Director.

### **Future Outlook**

The Company has continued to make excellent progress in its exploration and development programme. I look forward to this continuing on an accelerated basis as we move to mine development at Lahtojoki and target the discovery of a diamond deposit in the Kuhmo region.

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 €439,568 during the year ended 31 May 2018 and, as of that date, the Company had net current liabilities of €452,607.

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;
- 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 2018

	<i>Note</i>	2018 €	2017 €
<b>Continuing operations</b>			
Operating expenses	2	(439,568)	(410,814)
<b>Loss before taxation</b>	3	<u>(439,568)</u>	<u>(410,814)</u>
Income tax expenses	5	-	-
<b>Loss for the financial year</b>		<u>(439,568)</u>	<u>(410,814)</u>
<b>Loss per share</b>			
Basic and diluted loss per share	6	<u>(€0.0188)</u>	<u>(€0.0268)</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 2018

	2018 €	2017 €
<b>Loss for the financial year</b>	(439,568)	(410,814)
Income/expense recognised in other comprehensive income	-	-
<b>Total comprehensive income for the financial year</b>	<u>(439,568)</u>	<u>(410,814)</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 2018

	<i>Note</i>	31 May 2018 €	31 May 2017 €
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	7	9,661,559	9,276,955
Financial assets	8	<u>4</u>	<u>4</u>
<b>Total non-current assets</b>		<u>9,661,563</u>	<u>9,276,959</u>
<b>Current assets</b>			
Cash and cash equivalents	10	18,703	523,324
Other receivables	11	<u>241,859</u>	<u>292,562</u>
<b>Total current assets</b>		<u>260,562</u>	<u>815,886</u>

<b>Total assets</b>		<u>9,922,125</u>	<u>10,092,845</u>
<b>Equity</b>			
<b>Capital and reserves</b>			
Called up share capital	14	5,844	5,844
Called up deferred share capital	14	3,174,672	3,174,672
Share premium	14	8,201,664	8,201,664
Share-based payments reserve	17	519,159	765,977
Retained losses		<u>(2,884,872)</u>	<u>(2,692,122)</u>
<b>Total equity</b>		<u>9,016,467</u>	<u>9,456,035</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables: amounts falling due after more than one year	12	<u>192,489</u>	<u>158,008</u>
<b>Total non-current liabilities</b>		<u>192,489</u>	<u>158,008</u>
<b>Current liabilities</b>			
Trade and other payables: amounts falling due within one year	13	<u>713,169</u>	<u>478,802</u>
<b>Total current liabilities</b>		<u>713,169</u>	<u>478,802</u>
<b>Total liabilities</b>		<u>905,658</u>	<u>636,810</u>
<b>Total equity and liabilities</b>		<u>9,922,125</u>	<u>10,092,845</u>

The financial statements were approved by the Board of Directors on 15 November 2018 and authorised for issue on 15 November 2018.

## Statement of Cash Flows for the financial year ended 31 May 2018

	2018	2017
	€	€
<b>Cash flows from operating activities</b>		
Loss for the financial year	(439,568)	(410,814)
<i>Adjustments for:</i>		
Expense recognised in income statement in respect of equity settled share-based payments	-	74,280
Increase/(decrease) in trade and other payables	234,367	(6,698)
(Increase)/decrease in other receivables	(109,960)	23,841
<b>Net cash used in operating activities</b>	<u>(315,161)</u>	<u>(319,391)</u>
<b>Cash flows from investing activities</b>		
Investment in exploration and evaluation	(384,604)	(537,432)
<b>Cash used in investing activities</b>	<u>(384,604)</u>	<u>(537,432)</u>
<b>Cash flows from financing activities</b>		
Repayments/(advances) from Conroy Gold and Natural Resources P.L.C.	160,663	(105,035)
Shareholder advances/(repayments)	34,481	(151,581)
Issue of share capital	-	1,412,749
Share issue costs	-	(117,723)
<b>Net cash provided by financing activities</b>	<u>195,144</u>	<u>1,038,410</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	<u>(504,621)</u>	<u>181,587</u>

Cash and cash equivalents at beginning of financial year	<u>523,324</u>	<u>341,737</u>
Cash and cash equivalents at end of financial year	<u>18,703</u>	<u>523,324</u>