18 February 2019

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

Half-yearly results for the six months ended 30 November 2018

Karelian Diamond Resources plc (AIM: KDR), the diamond exploration company focused on Finland, announces its unaudited results for the six months ended 30 November 2018.

Highlights of the half-year period included:

- Assessment of the Lahtojoki diamond deposit continues; the broker model valued the project at US$32.9M, with an IRR of 50.2%. Over the past six months, the Company has spent considerable time in relation to regulatory issues as it prepares to develop a mine.
- Drilling was carried out on both Anomaly 5 and at Riihivaara leading to the discovery of orangeite in both areas, a potentially diamondiferous host rock.
- At Anomaly 5, where the Company discovered a green diamond in a till sample, the orangeite (Group II Kimberlite) was up-ice from the diamond discovery.
- At Riihivaarä - the drilling programme also yielded positive results, with further evidence of diamond potential in the area.

Commenting, Chairman, Professor Richard Conroy said:

"The Company has made successful progress, particularly in regard to regulatory matters, with its Lahtojoki Diamond Mining Project as we move towards the issuance of a mining permit. In addition, the results, at Anomaly 5 and Riihivaara, enhance not only our understanding of the Riihivaara kimberlite and Anomaly 5 but also of the possible overall diamond potential of the Kuhmo region of Finland."

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CHAIRMAN'S STATEMENT

I have great pleasure in presenting your Company's Half-Yearly Report for the six months ended 30 November 2018. During the period, your Company made successful progress with its Lahtojoki Diamond Mining Project in the Kuopio-Kaavi region of Finland towards the issuance of a mining permit which is of course essential before the Company can proceed with developing a mine. The Company's diamond exploration programme in the Kuhmo region of Eastern Finland also made good progress with drilling resulting in the discovery of orangeite, a potentially diamondiferous host rock.

The Lahtojoki Diamond Mining Project

The complexity of assessing a diamond deposit's value is considerable. The size, colour and quality of the diamonds are all critical aspects as are the kimberlite host rocks and pipe geology. Mining and processing methods are also crucial. Your Company is also conscious, as it moves forward with its assessment of the Lahtojoki diamond deposit and, hopefully, of proceeding with a mine, of the importance, not only of the technical and financial aspects, but also of the social, environmental, local and regulatory issues involved.

Over the past six months, your Company has spent considerable time in relation to regulatory issues. In particular on compensation for land use, an essential part of the regulatory processes in Finland which lead to the issuance of a mining permit. The Company has been in contact with all of the landowners involved and subsequently the Managing Director and I met personally with most of the individual landowners or their representatives. The process has involved a great deal of time and effort, but I am glad to be able to say that matters are now at an advanced stage.

Brandon Hill Capital ("BHC"), the Company's brokers, has modelled the Lahtojoki Diamond Project based on the Preliminary Economic Assessment ("PEA"), (as announced 1 August 2017). BHC valued the project at US$32.9M, with an IRR of 50.2% using a discount rate of 10% and an average diamond price of US$100 ct. BHC also pointed to the fact that although pink diamonds only accounted for 5% of the production at the Argyle mine in Western Australia, they generated 50% of the revenue and that pink diamonds having been found at Lahtojoki that there could be a significant upside to the US$100 ct used in their modelling. (BHC Report 16 January 2019)

Technical matters at Lahtojoki are of course also related to regulatory issues. There is no point in your Company proceeding with extensive, and expensive, technical programmes before regulatory matters are satisfactorily completed.

However, untested drillcore from drilling by a previous operator were available which had not previously been analysed. No drilling expenditure was, therefore, necessary and as the drillcore related to the untested larger Eastern lobe of the deposit which could yield information highly relevant in relation to any decision to proceed with a mine, it was decided it would be beneficial to have some of this drillcore analysed.

The analyses which were performed by Microlithics Laboratories Inc. in Canada on the drillcore yielded microdiamond results comparable to the microdiamond results in the smaller Western and Central portions of the deposit. The results indicate the potential for high quality diamonds of good colour and shape and give increased confidence for the economics of the deposit. They not only serve to confirm the validity of earlier analyses, by a previous operator, they indicate that the grade, modelled at 40 carats per hundred tonnes (CPHT) of rock from past microdiamond results could be reasonably extended into the Eastern Lobe of the kimberlite at depth.

Diamond Exploration Programme

Positive progress has continued to be made in the Company's exploration programmes. Drilling was carried out on both Anomaly 5 and at Riihivaara leading to the discovery of orangeite in both areas, a potentially diamondiferous host rock.

Anomaly 5 Drilling

The drill programme in the anomalous area (Anomaly 5) where the Company discovered a green diamond in a till sample led to the discovery of orangeite (Group II Kimberlite) up-ice from the green diamond discovery. Orangeite is a potentially diamondiferous host rock of which the best-known example is the major Finsch Diamond Mine in South Africa. The name Orangeite comes from its first discovery near the Orange River in South Africa. Interestingly, in its early days of production, the Finsch mine produced green diamonds. This discovery is a considerable encouragement as we search for the source of the green diamond or of other diamond sources in Anomaly 5.

Riihivaara Drilling

The drilling programme at Riihivaara also yielded positive results, with further evidence of diamond potential in the area. The drilling programme was designed to intersect kimberlite at a deeper level in bedrock, where pitting had already discovered a kimberlite near surface, and also to provide additional kimberlite material for analysis.

The drilling successfully intersected kimberlite at a deeper level and provided material both for scanning electron microscopy ("SEM") and thin sections studies which were done at the Geological Survey of Finland ("GTK") laboratories. The SEM studies confirmed that the kimberlite was an orangeite and diamondiferous potential was indicated by thin section and SEM studies with the presence of a G10 garnet grain showing that the kimberlite includes mantle material which increases the likelihood that this kimberlite may be diamondiferous.

These results, at Anomaly 5 and Riihivaara, enhance not only our understanding of the Riihivaara kimberlite and Anomaly 5 but also of the possible overall diamond potential of the Kuhmo region of Finland.

This steady, incremental progress and continued success of our diamond exploration programme in Finland is very encouraging as we continue to pursue our long-term goal of discovering a major diamond deposit in the Finnish sector of the Karelian Craton.

Finance

The loss before taxation for the half-year ended 30 November 2018 was €215,342 (6 months ended 30 November 2017: €211,590) and the net assets as at 30 November 2018 were €9,345,090 (30 November 2017: €9,281,407).

Directors and Staff

I would like to thank my fellow directors, staff and consultants for their support and dedication, which has enabled the continued success of the Company.

Outlook

We look forward to continuing to make progress at Lahtojoki and to further success with our exploration programme.

Professor Richard Conroy
Chairman

18 February 2019

Condensed income statement and condensed statement of comprehensive income

for the six month period ended 30 November 2018

	Note	**Six month period ended 30 November 2018 (Unaudited) €**	*Six month period ended 30 November 2017 (Unaudited) €*	*Year ended 31 May 2018 (Audited) €*
Continuing operations				
Operating expenses		**(215,342)**	(211,590)	(439,568)
Loss before taxation		**(215,342)**	(211,590)	(439,568)
Income tax expense		**-**	-	-
Loss for the financial period/year		**(215,342)**	(211,590)	(439,568)
Loss per share				
Basic and diluted loss per share	*2*	**(€0.0064)**	(€0.0091)	(€0.0188)

Condensed statement of comprehensive income

	Six month period ended 30 November 2018 (Unaudited) €	*Six month period ended 30 November 2017 (Unaudited) €*	*Year ended 31 May 2018 (Audited) €*
Loss for the financial period/year	**(215,342)**	(211,590)	(439,568)
Income/expense recognised in other comprehensive income	-	-	-
Total comprehensive expense for the financial period/year	**(215,342)**	(211,590)	(439,568)

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of financial position
as at 30 November 2018

	Note	30 November 2018 (Unaudited) €	30 November 2017 (Unaudited) €	Year ended 31 May 2018 (Audited) €
Assets				
Non-current assets				
Intangible assets	3	**9,967,646**	9,607,634	9,661,559
Financial assets		**4**	4	4
Total non-current assets		**9,967,650**	9,607,638	9,661,563
Current assets				
Cash and cash equivalents		**198,692**	44,347	18,703
Other receivables		**166,655**	386,848	241,859
Total current assets		**365,347**	431,195	260,562
Total assets		**10,332,997**	10,038,833	9,922,125
Equity				
Capital and reserves				
Called up share capital		**8,622**	5,844	5,844
Called up deferred share capital		**3,174,672**	3,174,672	3,174,672
Share premium		**8,768,276**	8,201,664	8,201,664
Share based payments reserve		**525,124**	802,939	519,159
Retained losses		**(3,131,604)**	(2,903,712)	(2,884,872)
Total equity		**9,345,090**	9,281,407	9,016,467
Liabilities				
Non-current liabilities				
Trade and other payables: amounts falling due after more than one year	5	**158,008**	158,088	192,489
Total non-current liabilities		**158,008**	158,088	192,489
Current liabilities				
Trade and other payables: amounts falling due within one year		**829,899**	599,338	713,169
Total current liabilities		**829,899**	599,338	713,169
Total liabilities		**987,907**	757,426	905,658
Total equity and liabilities		**10,332,997**	10,038,833	9,922,125

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of cash flows

for the six month period ended 30 November 2018

	Six month period ended 30 November 2018 (Unaudited) €	*Six month period ended 30 November 2017 (Unaudited)* €	*Year ended 31 May 2018 (Audited)* €
Cash flows from operating activities			
Loss for the financial period/year	**(215,342)**	(211,590)	(439,568)
Adjustments for:			
Expense recognised in income statement in respect of equity settled share based payments	**5,965**	6,810	-
Increase in trade and other payables	**116,730**	120,536	234,367
Decrease/(increase) in other receivables	**70,827**	(94,633)	(109,960)
Net cash used in operating activities	**(21,820)**	(178,877)	(315,161)
Cash flows from investing activities			
Investment in exploration and evaluation	**(306,087)**	(300,527)	(384,604)
Net cash used in investing activities	**(306,087)**	(300,527)	(384,604)
Cash flows from financing activities			
Issue of share capital	**569,390**	-	-
Share issue costs	**(31,390)**	-	-
Shareholder's loan (repayments)/advances	**(34,481)**	80	34,481
Advances from Conroy Gold and Natural Resources P.L.C.	**4,377**	347	160,663
Net cash provided by financing activities	**507,896**	427	195,144
Increase/(decrease) in cash and cash equivalents	**179,989**	(478,977)	(504,621)
Cash and cash equivalents at beginning of financial period/year	**18,703**	523,324	523,324
Cash and cash equivalents at end of financial period/year	**198,692**	44,347	18,703

The accompanying notes form an integral part of these condensed financial statements

Condensed statement of changes in equity

for the six month period ended 30 November 2018

	Share capital (including deferred share capital)	Share premium	Share-based payment reserve	Retained losses	Total equity
	€	**€**	**€**	**€**	**€**
Balance at 1 June 2018	**3,180,516**	**8,201,664**	**519,159**	**(2,884,872)**	**9,016,467**
Issue of share capital	**2,778**	**566,612**	**-**	**-**	**569,390**
Share issue costs	**-**	**-**	**-**	**(31,390)**	**(31,390)**
Share-based payments	**-**	**-**	**5,965**	**-**	**5,965**
Loss for the financial period	**-**	**-**	**-**	**(215,342)**	**(215,342)**
Balance at 30 November 2018	**3,183,294**	**8,768,276**	**525,124**	**(3,131,604)**	**9,345,090**
Balance at 1 June 2017	3,180,516	8,201,664	765,977	(2,692,122)	9,456,035
Share-based payments	-	-	36,962	-	36,962
Loss for the financial period	-	-	-	(211,590)	(211,590)
Balance at 30 November 2017	3,180,516	8,201,664	802,939	(2,903,712)	9,281,407

Share capital

The share capital comprises the nominal value share capital issued for cash and non-cash consideration. The share capital also comprises deferred share capital. The deferred share capital***** arose through the restructuring of share capital which was approved at an Annual General Meeting held on 9 December 2016.

Authorised share capital:

The authorised share capital at 30 November 2018 compromised 7,301,301,041 ordinary shares of €0.00025 each, and 317,785,034 deferred shares of €0.00999 each***** (€5,000,000), (30 November 2017: 182,532,751,034 ordinary shares of €0.00001 each, and 317,785,034 deferred shares of €0.00999 each (€5,000,000)).

**Capital reorganisation:*

Following approval at an Annual General Meeting ("AGM") held on 9 December 2016, the Company reorganised its share capital by subdividing and reclassifying each issued ordinary share of €0.01 as one ordinary share of €0.00001 each and one deferred share of €0.00999 each. The Deferred Shares have no right to vote, attend or speak at general meetings of the Company and have no right to receive any dividend or other distribution, and have only limited rights to participate in any return of capital on a winding-up or liquidation of the Company, which will be of no material value. No application was made to the London Stock Exchange for admission of the Deferred Shares to trading on the AIM.

Consolidated shares:

On 21 December 2017, the Company passed a Special Resolution at the Company's AGM, that all of the ordinary shares of €0.00001 each in the capital of the Company, whether issued or unissued were consolidated into New Ordinary Shares of €0.00025 each in the capital of the Company ("consolidated shares") on the basis of one consolidated share for every 25 existing ordinary shares. Following the consolidation of the ordinary shares on 21 December 2017, the warrants in issue were consolidated into one consolidated warrant for every 25 existing warrants. The exercise price in relation to the warrants was also adjusted at this time (see Note 2).

Share issues during the period:

On 11 June 2018, the Company raised €569,390, (before expenses), through the issue of 11,111,111 ordinary shares of €0.00025 in the capital of the Company at a price of £0.045 per Subscription Share. 388,889 broker warrants were also issued on 11 June 2018.

Share premium
The share premium reserve comprises the excess consideration received in respect of share capital over the nominal value of the shares issued.

Share based payment reserve
The share based payment reserve represents the amount expensed to the condensed income statement in addition to the amount capitalised as part of intangible assets of share-based payments granted which are not yet exercised and issued as shares.

Retained losses
This reserve represents the accumulated losses incurred by the Company up to the condensed statement of financial position date.

The accompanying notes form an integral part of these condensed financial statements.

Notes to and forming part of the condensed financial statements for the six month period ended 30 November 2018

1 Accounting policies

Reporting entity

Karelian Diamond Resources plc (the "Company") is a company domiciled in Ireland.

Basis of preparation and statement of compliance

The condensed financial statements for the six months ended 30 November 2018 are unaudited.

The condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*.

The condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 May 2018, which are available on the Company's website - www.kareliandiamondresources.com. The accounting policies adopted in the presentation of the condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 May 2018. IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15") is effective for the first time in the current interim period. The Directors have assessed that the impact of IFRS 15 on the condensed financial statements for the current period will not be material.

The condensed financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value at each reporting date.

The condensed financial statements are presented in Euro ("€"). € is the functional currency of the Company.

The preparation of condensed 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 financial period in which the estimate is revised and in any future financial periods affected. Details of critical judgements are disclosed in the accounting policies detailed in the annual financial statements.

The financial information presented herein does not amount to statutory financial statements that are required by Chapter 4 part 6 of the Companies Act 2014 to be annexed to the annual return of the Company. The statutory financial statements for the financial year ended 31 May 2018 were annexed to the annual return and filed with the Registrar of Companies. The audit report on those financial statements was unqualified.

These Condensed Financial Statements were authorised for issue by the Board of Directors on 18 February 2018.

Going concern

The Company incurred a loss of €215,342 (30 November 2017: €211,590) for the six month period ended 30 November 2018. The Company had net current liabilities of €464,552 (30 November 2017: €168,143) at that date.

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 30 November 2019. In reviewing the proposed work programme for exploration and evaluation assets and on the basis of the equity raised during the period ended 30 November 2018, 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 condensed financial statements on a going concern basis.

1 Accounting policies *(continued)*

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15") is effective for the first time in the current interim period. The Directors have assessed that the impact of IFRS 15 on the condensed financial statements for the current period will not be material.

Standards, interpretations and amendments issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued to date and are not yet effective for the financial period ended 30 November 2018, and have not been applied nor early adopted, where applicable, in preparing these condensed financial statements:

- IFRS 9: *Financial Instruments* - effective for annual periods beginning 1 January 2018
- IFRS 16: *Leases* - effective for periods beginning 1 January 2019
- IFRS 17: *Insurance Contracts* - effective for periods beginning 1 January 2021
- IFRS10/IAS28: *Sale or contribution of an asset between an investor and its Associate of Joint Venture (Amendment)* – Deferred indefinitely by amendments made in December 2015.

The Board of Directors anticipate that the adoption of new standards, interpretations and amendments that were in issue at the date of authorisation of these condensed financial statements, but not yet effective, will have no material impact on the condensed financial statements in the period of initial application.

2 Loss per share

Basic earnings per share

	Six month period ended 30 November 2018 (Unaudited) €	*Six month period ended 30 November 2017 (Unaudited) €*	*Year ended 31 May 2018 (Audited) €*
Loss for the financial period/year attributable to equity holders of the Company	**(215,342)**	(211,590)	(439,568)
Number of ordinary shares for the purposes of earnings per share¥	**34,489,179**	23,378,068¥	23,378,068 ¥
Loss per ordinary share	**(€0.0064)**	(€0.0091)	(€0.0188)

¥ On 21 December 2017, the Company passed a Special Resolution at the Company's AGM, that all of the ordinary shares of €0.00001 each in the capital of the Company, whether issued or unissued were consolidated into new ordinary shares of €0.00025 each in the capital of the Company ("consolidated shares") on the basis of one consolidated share for every 25 existing ordinary shares. (*In line with IAS 33: Earnings per share, the calculation of basic and diluted EPS for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a reverse share split).*

On 11 June 2018, the Company raised €569,390, (before expenses), through the issue of 11,111,111 ordinary shares of €0.00025 in the capital of the Company at a price of £0.045 per Subscription Share.

2 Loss per share *(continued)*

Diluted earnings per share

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

Following the consolidation of the ordinary shares on 21 December 2017, the warrants in issue were consolidated into one consolidated warrant for every 25 existing warrants. The exercise price in relation to the warrants was also adjusted at that time, to the following:

- Expiry date: 29 December 2018 - 20p sterling;
- Expiry date: 28 April 2019 - 20p sterling;
- Expiry date: 16 November 2022 - £2.20 sterling.

3 Intangible assets

Exploration and evaluation assets

Cost	**30 November 2018 (Unaudited) €**	*30 November 2017 (Unaudited) €*	*31 May 2018 (Audited) €*
At 1 June	**9,661,559**	9,276,955	9,276,955
Expenditure during the financial period/year			
• License and appraisal costs	**71,198**	136,002	200,696
• Other operating expenses	**234,889**	164,525	183,908
• Equity settled share based payments	**-**	30,152	-
At 30 November/31 May	**9,967,646**	9,607,634	9,661,559

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 Commitments and Contingencies

At 30 November 2018, there were no capital commitments or contingent liabilities (31 May 2018: No capital commitments or contingencies liabilities). Should the Company decide to develop the Lahtojoki project, an amount of €80,000 is payable by the Company.

5 Related party transactions

(a) Shareholders loans	**30 November 2018 (Unaudited) €**	*30 November 2017 (Unaudited) €*	*31 May 2018 (Audited) €*
Opening balance 1 June	**192,489**	**158,008**	158,008
Loan repayment	**(34,481)**	**-**	(80)
Loan advances	**-**	**-**	34,561
Reclassification of loan	**-**	**80**	-
Closing balance 30 November/31 May	**158,008**	**158,088**	192,489

Prior to the various placings of shares, the immediate funding requirements of the Company had been financed by advances from Professor Richard Conroy (executive chairman and major shareholder).

(b) Apart from Directors' remuneration, and loans from shareholders, (who are also Directors), there have been no contracts or arrangements entered into during the six month period in which a Director of the Company had a material interest.

(c) The Company shares accommodation with Conroy Gold and Natural Resources plc which have certain common Directors and shareholders. For the six month period ended 30 November 2018, Conroy Gold and Natural Resources plc incurred costs totalling €74,968 (30 November 2017: €143,686) on behalf of the Company. These costs were recharged to the Company by Conroy Gold and Natural Resources plc. At 30 November 2018, Conroy Gold and Natural Resources plc owed €117,514 (30 November 2017: €273,453) to the Company. Amounts owed from Conroy Gold and Natural Resources plc are included within other receivables in the current and previous financial periods/years.

6 Approval of the Condensed Financial Statements

These Condensed Financial Statements were approved by the Board of Directors on 15 February 2019. A copy of the Condensed Financial Statements will be available on the Company's website www.kareliandiamondresources.com on 18 February 2019.

ENDS