



**KARELIAN**  
DIAMOND RESOURCES

Half-Yearly Report 2015

# Chairman's Statement

## Dear Shareholder

I have great pleasure in presenting your Company's Half-Yearly Report for the six months ended 30 November 2015. During this period excellent progress continued to be made with your Company's diamond exploration programme in Finland, the objective of which is to discover diamond deposits. The licence areas in Finland have similar geology to that in which world class diamond deposits have been discovered on the Russian side of the border.

## Diamond Exploration Programme

Your Company's primary exploration area in Finland is in the Karelian Craton in North Eastern Europe.

The Karelian Craton extends across Finland and northwest Russia. It is comparable in size to the diamond rich Slave Lake Craton in Canada. The Russian diamond company ALROSA Company Limited (Closed Joint-Stock Company), which is now the world's largest diamond miner, and owns the Lomonosova deposit in the Karelian Craton, has indicated previously that the Karelian Craton region will represent almost all of its future growth.

Your Company's diamond exploration programme covers five regions in Finland. At Seitaperä in Eastern Finland, the programme has outlined the largest diamondiferous pipe yet discovered in Finland.

Exploration results from your Company's nearby Riihivaara target in Eastern Finland during the period covered by this report have been particularly exciting. High concentrations of kimberlite indicator minerals ("KIM") have been recovered suggesting the possible presence in the area of a new kimberlite source.

Analysis by Rio Tinto Mining and Exploration in their Melbourne Laboratories of samples collected by your Company have identified high category rating diamondiferous kimberlite indicator minerals, which is highly encouraging.

Exploration on our other diamond targets in Finland continues, particularly in the Kuhmo and Kuusamo areas of Eastern Finland.

## Agreement with Rio Tinto Mining & Exploration

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

To date this information has included data on over 53,000 till samples, over 600 analytical results, data on Kimberlite indicator minerals from over 200 locations and records on the discovery of 122 diamonds. The integration of this data with your Company's own data has been of great benefit.

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 in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project, subject to the following conditions:

1. For diamond projects the option will be triggered if Karelian completes 10 tonnes or more of bulk sampling for diamond exploration; and
2. For all other minerals the option will be triggered if Karelian discovers a resource with an in situ value that is equal to or greater than the in situ value of 3 million ounces of gold in a JORC compliant resource calculation.

## Finance

The loss after taxation for the half-year ended 30 November 2015 was €106,913 (2014: loss of €121,087) and the net assets as at 30 November 2015 were €8,249,640 (2014: €8,319,399).

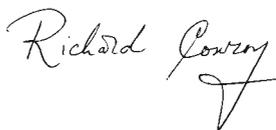
## Directors and Staff

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 have made a significant amount of progress in the period and expect this to continue as we move forward with your Company's diamond interests in Finland.

Yours faithfully,

A handwritten signature in black ink, reading "Richard Conroy". The signature is written in a cursive style with a large, stylized initial 'C' at the end.

**Professor Richard Conroy**  
*Chairman*

29 February 2016

# Income Statement

for half-year ended 30 November 2015

	Six months ended 30 November 2015 (Unaudited) €	Six months ended 30 November 2014 (Unaudited) €	Year ended 31 May 2015 (Audited) €
<b>OPERATING EXPENSES</b>	<b>(109,942)</b>	(122,808)	(124,788)
Finance income – bank interest receivable	129	1,721	2,937
Finance costs – interest on shareholder loan	–	–	–
<b>LOSS BEFORE TAXATION</b>	<b>(109,813)</b>	(121,087)	(121,551)
Taxation	–	–	–
<b>LOSS FOR THE YEAR</b>	<b>(109,813)</b>	(121,087)	(121,551)
Loss per ordinary share – basic and diluted	<b>(€0.0004)</b>	(€0.0004)	(€0.0004)

# Statement of Comprehensive Income

for half-year ended 30 November 2015

	Six months ended 30 November 2015 (Unaudited) €	Six months ended 30 November 2014 (Unaudited) €	Year ended 31 May 2015 (Audited) €
<b>LOSS FOR PERIOD</b>	<b>(109,813)</b>	(121,087)	(121,551)
Total income and expense recognised in other comprehensive income	–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD – ENTIRELY ATTRIBUTABLE TO EQUITYHOLDERS</b>	<b>(109,813)</b>	(121,087)	(121,551)

# Statement of Financial Position

as at 30 November 2015

	30 November 2015 (Unaudited) €	30 November 2014 (Unaudited) €	31 May 2015 (Audited) €
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Intangible assets	8,298,968	7,609,850	8,029,132
Investment in Subsidiary	4	4	4
Property, plant and equipment	0	0	0
	<b>8,298,972</b>	7,609,854	8,029,136
<b>Current Assets</b>			
Trade and other receivables	508,676	307,309	402,122
Cash and cash equivalents	69,122	924,748	474,026
	<b>577,798</b>	1,232,057	876,148
<b>Total Assets</b>	<b>8,876,770</b>	8,841,911	8,905,284
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Called up share capital	2,865,350	2,865,350	2,865,350
Share premium	6,786,177	6,786,177	6,786,177
Share based payments reserve	596,736	559,118	570,256
Retained losses	(1,998,623)	(1,891,246)	(1,891,710)
<b>Total Equity</b>	<b>8,249,640</b>	8,319,399	8,330,073
<b>Non-current Liabilities</b>			
Financial Liabilities	309,589	309,589	309,589
<b>Total Non-current Liabilities</b>	<b>309,589</b>	309,589	309,589
<b>Current Liabilities</b>			
Trade and other payables	317,542	212,923	265,622
<b>Total Current Liabilities</b>	<b>317,542</b>	212,923	265,622
<b>Total Liabilities</b>	<b>627,130</b>	522,512	575,211
<b>Total Equity and Liabilities</b>	<b>8,876,770</b>	8,841,911	8,905,284

# Statement of Changes in Equity

for the half-year ended 30 November 2015

	Share Capital €	Share Premium €	Share- based Payment Reserve €	Retained Earnings (Deficit) €	Total Equity €
<b>At 1 June 2015</b>	<b>2,865,350</b>	<b>6,786,177</b>	<b>570,256</b>	<b>(1,891,710)</b>	<b>8,330,073</b>
Share-based payments	-	-	26,480	-	26,480
Loss for the period	-	-	-	(106,913)	(106,913)
<b>At 30 November 2015</b>	<b>2,865,350</b>	<b>6,786,177</b>	<b>596,736</b>	<b>(1,998,623)</b>	<b>8,249,640</b>
<b>At 1 June 2014</b>	<b>2,865,350</b>	<b>6,786,177</b>	<b>525,275</b>	<b>(1,770,159)</b>	<b>8,406,643</b>
Share-based payments	-	-	33,843	-	33,843
Loss for the period	-	-	-	(121,087)	(121,087)
<b>At 30 November 2014</b>	<b>2,865,350</b>	<b>6,786,177</b>	<b>559,118</b>	<b>(1,891,246)</b>	<b>8,319,399</b>

# Cash Flow Statement

for the half-year ended 30 November 2015

	Six months ended 30 November 2015 (Unaudited) €	Six months ended 30 November 2014 (Unaudited) €	Year ended 31 May 2015 (Audited) €
<b>Cash flows from operating activities</b>			
Cash (used in)/generated by operations	(156,665)	(930,224)	(971,118)
Tax paid	-	-	-
<b>Net cash (used in)/generated by operating activities</b>	<b>(156,665)</b>	<b>(930,224)</b>	<b>(971,118)</b>
<b>Cash flows from investing activities</b>			
Investment in exploration and evaluation	(248,368)	(251,790)	(662,834)
<b>Net cash used in investing activities</b>	<b>(248,368)</b>	<b>(251,790)</b>	<b>(662,834)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital (net of expenses)	-	-	-
Advances/(Repayment) of shareholder loan	-	-	-
Bank interest received	129	1,721	2,937
<b>Net cash generated from financing activities</b>	<b>129</b>	<b>1,721</b>	<b>2,937</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(404,904)</b>	<b>(1,180,293)</b>	<b>(1,631,015)</b>
Cash and cash equivalents at beginning of period	474,026	2,105,041	2,105,041
Cash and cash equivalents at end of period	69,122	924,748	474,026

# Notes to the Financial Statements

*for the half-year ended 30 November 2015*

## **1. Basis of preparation**

The half-yearly financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and their interpretations adopted by the International Accounting Standards Board (IASB). The accounting policies used in the preparation of the half-yearly financial information are the same as those used in the Company's audited financial statements for the year ended 31 May 2015.

## **2. Earnings per share**

The calculation of the loss per ordinary share of €0.0004 (2014: loss €0.0004) is based on the loss for the financial period of €106,913 (2014: loss €121,087) and the weighted average number of ordinary shares in issue during the period of 286,535,034 (2014: 286,535,034).

Since the Company incurred a loss the effect of share options and warrants would be anti-dilutive.

## **3. Dividends**

No dividends were paid or are proposed in respect of the half-year ended 30 November 2015.