



Karelian Diamond Resources Plc

("KDR" or the "Company")

Final results for the year ended 31 May 2013

Excellent Results from all Three Target Sites

Karelian (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2013, a year in which the exploration programme continued to show highly encouraging progress.

Highlights:

- **Further microdiamonds have been recovered at the Seitaperä kimberlite pipe**
 - two of the micro-diamonds greater than 60 per cent broken, indicating the possibility of larger stone sizes
- **Excellent results at the exploration target Riihivaara**
 - discovery of G9 and G10 diamondiferous indicator minerals
- **New claim applications at Kuusamo following positive test results**
 - two areas applied for following results and interrogation of Rio Tinto data
- **Other targets identified**

Professor Richard Conroy, Chairman, stated:

"The Rio Tinto data is proving very useful in identifying new targets and in confirming existing analysis."

"Recent drilling of further potentially diamond bearing mantle xenolith at Seitaperä, subsequently confirmed as diamondiferous by the recovery of microdiamonds, and the results from elsewhere is very heartening."

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc
Simon Clements/Virginia Bull, Sanlam Securities UK Limited (Nomad)
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CHAIRMAN'S STATEMENT

I have pleasure in presenting your Company's Annual Report and Financial Statements for the year ended 31 May 2013. During the year further highly encouraging progress has been made towards achieving your Company's objective of discovering a world class diamond deposit in Finland comparable to those which have been found in similar geology in Russia. Further microdiamonds have been recovered at your Company's Seitaperä kimberlite pipe, excellent results have been achieved at your Company's exploration target Riihivaara, and positive results at Kuusamo have led to new claim applications.

Seitaperä

Your Company has shown that the diamondiferous kimberlite pipe located at Seitaperä is, at 6.9 hectares, the largest known diamondiferous kimberlite pipe in Finland. The identification during recent drilling of further potentially diamond bearing mantle xenolith, subsequently confirmed as diamondiferous by the recovery of microdiamonds, is highly encouraging. The micro-diamonds observed were white in colour, transparent and octahedral. Two of the micro-diamonds, including the largest stone, were greater than 60 per cent broken indicating the possibility of larger stone sizes.

Riihivaara

At Riihivaara, a till sampling programme resulted in the discovery of G9 and G10 diamondiferous indicator minerals – so called because they are formed within the ultramafic rocks underlying the earth's crust at the same temperatures and pressures as diamonds. G3 and G4 garnets were also found, suggesting the presence of eclogitic mantle material which is significant as it tends to be associated with higher grades of diamonds.

The Riihivaara claim reservation lies approximately 10km southeast of the Company's Seitaperä kimberlite target. A claim reservation gives exclusive rights to apply for exploration claims within the reservation area. Your Company's Riihivaara exploration target is in the Kuhmo municipality in Eastern Finland and is bordered to the east by Russia.

Kuusamo

Interrogation of airborne geophysics by the Company together with till sampling and integration of data made available to Karelian under its agreement with Rio Tinto Mining and Exploration has led to the decision to apply for claim reservations over two areas in the Kuusamo region. Kuusamo is located in the Northeast of Finland just south of the Arctic Circle and is also bordered to the East by Russia. In the first area at Kuusamo, 121 kimberlitic indicator minerals were recovered, with 76 kimberlitic indicator minerals recovered in the second area, which are very positive. Further studies including microprobe analysis confirmed that the kimberlitic indicator minerals in both areas were also indicating diamondiferous potential.

The possibility of new discoveries in the Kuusamo area complements the positive results at your Company's Riihivaara target area and the confirmation of the diamondiferous nature of the Seitaperä kimberlite pipe. Other targets in the Kuhmo area include the Havukkasuo and Lentiira kimberlite pipes.

Agreement with Rio Tinto

The agreement with Rio Tinto has led to further highly encouraging progress. Under the agreement, Rio Tinto discloses to Karelian confidential information and physical geological samples relating to

exploration in Finland for the purpose of Karelian considering that information in relation to Karelian's 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 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 year ended 31 May 2013 was €179,995 (2012: €207,980) and the net assets as at 31 May 2013 were €4,422,130 (2012: €4,526,967).

As in previous years, I have supported the working capital requirements of the Company and the balance of the loans due to me at the period end was €1,221,975. The loans have been made on normal commercial terms.

The other Directors consider, having consulted with the Company's Nominated Adviser and the Company's ESM Adviser, that the terms of these loans are fair and reasonable in so far as the Company's shareholders are concerned.

Auditors

I would like to take the opportunity to thank the partners and staff of Deloitte and Touche for their services to your Company during the course of the year.

Directors, Consultants and Staff

I would also like to express my deep appreciation of the support and dedication of the directors, consultants and staff, which has made possible the continued progress which your Company has achieved.

Future Outlook

Your Company has made significant progress in its diamond exploration programme in Finland and looks forward to building on these achievements.

Professor Richard Conroy

Chairman
12 November 2013

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2013**

	2013	2012
	€	€
OPERATING EXPENSES	(165,604)	(194,582)
Finance income – bank interest receivable	-	97
Finance costs – Interest on shareholder loan	<u>(14,351)</u>	<u>(13,495)</u>
Loss Before Taxation	(179,955)	(207,980)
Taxation	<u>-</u>	<u>-</u>
LOSS RETAINED FOR THE YEAR	<u>(179,955)</u>	<u>(207,980)</u>
Loss per ordinary share	<u>(€0.0019)</u>	<u>(€0.0023)</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2013**

	2013 €	2012 €
ASSETS		
Non-current Assets		
Intangible assets	6,801,539	6,390,694
Investment in subsidiaries	4	4
Property, plant and equipment	333	501
	<u>6,801,876</u>	<u>6,391,199</u>
Current Assets		
Trade and other receivables	11,691	47,382
Cash and cash equivalents	2,506	10,054
	<u>14,197</u>	<u>57,436</u>
Total assets	<u><u>6,816,073</u></u>	<u><u>6,448,635</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Called up share capital	922,083	922,083
Share premium	4,621,158	4,621,158
Share based payments reserve	450,157	375,039
Retained earnings	(1,571,268)	(1,391,313)
Total equity	<u>4,422,130</u>	<u>4,526,967</u>
Non-current liabilities		
Financial liabilities	1,171,968	1,007,214
Total non-current liabilities	<u>1,171,968</u>	<u>1,007,214</u>
Current liabilities		
Trade and other payables	1,221,975	914,454
Total Current Liabilities	<u>1,221,975</u>	<u>914,454</u>
Total Liabilities	<u>2,393,943</u>	<u>1,921,668</u>
Total Equity and Liabilities	<u><u>6,816,073</u></u>	<u><u>6,448,635</u></u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2013**

	2013	2012
	€	€
Cash used in operations	(50,768)	(58,631)
Tax paid	-	-
	<hr/>	<hr/>
Net cash used in operating activities	(50,768)	(58,631)
	<hr/>	<hr/>
Cash flows from investing activities		
Investment in exploration and evaluation assets	(292,105)	(509,687)
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Net cash used in investing activities	(292,105)	(509,687)
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Cash flows from financing activities		
Increase in accrued director's remuneration	242,325	-
(Repayment)/Advances of Shareholder loans	93,000	(125,000)
Interest paid	-	(42,633)
Interest received	-	97
	<hr/>	<hr/>
Net cash generated from financing activities	335,325	(167,536)
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(Decrease)/Increase in cash and cash equivalents	(7,548)	(735,854)
Cash and cash equivalents at beginning of year	10,054	745,908
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Cash and cash equivalents at end of year	2,506	10,054
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Notes to the Financial Statements

1. Publication of non-statutory accounts

The financial information set out in this preliminary announcement is abbreviated from the accounts as defined in Section 19 of the Companies (Amendment) Act 1986.

The financial information for the year ended 31 May 2013 have been extracted from the Company's financial statements to that date which have received an unqualified auditors' report but have not yet been delivered to the Registrar of Companies.

2. Earnings per share

The calculation of the loss per share of €0.0019 (2012 - €0.0023) is based on the loss for the financial year of €179,955 (2012 – €207,980) and the weighted average number of ordinary shares in issue on a basic and fully diluted basis during the year of 92,208,342 (2012 – 92,208,342).

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

3. Dividends

No dividends were paid or are proposed in respect of the year ended 31 May 2013.

4. Copies of Accounts

A copy of the Annual Report and Financial Statements will be available on the Company's website www.kareliandiamondresources.com and will be available from the Company's registered office, 10 Upper Pembroke Street, Dublin 2. It will also be forwarded to shareholders who requested a hard copy. Notice of the Annual General Meeting to be held on 9 December 2013 and Proxy Form was sent to shareholders on 13 November 2013 and are also available on the website.