



21 November 2014

Karelian Diamond Resources Plc

("KDR" or the "Company")

Final results for the year ended 31 May 2014

Highly Encouraging Progress Made

Karelian (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2014, a year in which highly encouraging progress has been made towards achieving the aim of discovering a world class diamond deposit in Finland.

Highlights:

- **Riihivaara - Excellent results achieved both during the year and since**
 - recovery of high concentrations of kimberlitic indicator minerals suggests the presence nearby of a kimberlite source
 - results include 48 purple to red peridotitic garnets (G9/10 Cr-pyrope) and 46 orange mantle garnets between 0.25 and 0.5mm in size
 - indicator minerals have recently been sent for analysis by scanning electron microscopy for precise classification
- **Results indicate presence of new kimberlite source close to Seitaperä - the largest diamondiferous kimberlite pipe yet discovered in Finland**

Post Period:

- **Three further exploration Claim Reservations located in the Kuhmo and Kuopio-Kaavi regions granted - five kimberlite bodies known to be present**
- **Agreement with Rio Tinto extended to 2020**

Finance:

- **The loss after taxation for the year ended 31 May 2014 was €198,891 (2013: €179,955)**
- **A series of Placings raised a total of £2,725,000**
- **Net Assets as at 31 May 2014 were €8,406,643 (2013: €4,422,130)**

Professor Richard Conroy, Chairman, stated:

"The Company has made significant progress in its diamond exploration programme in Finland and this has continued into the current financial year. The results from Riihivaara are particularly pleasing. We have had excellent sample results and are hopefully getting very close to a kimberlite source."

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc
Virginia Bull / Simon Clements, 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 2014. 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 nearby in Russia. Excellent results have been achieved at your Company's exploration target at Riihivaara, both during the year to 31 May and since. Positive results at other targets have led to several new claim applications.

Financially a series of successful Placings raised in total £2,725,000. Also, your Company's Confidentiality Agreement (with Back in Rights) with Rio Tinto has been extended to 2020, post period.

The recovery of high concentrations, for the Karelian Craton, of kimberlitic indicator minerals ("KIMs") in Riihivaara indicates the nearby presence of a new kimberlite source in the Kuhmo region of Finland.

Laboratory results from a sample collected on the Company's Riihivaara target in the Kuhmo region show high concentrations of over 100 kimberlitic indicator minerals. The results included 48 purple to red peridotitic garnets (G9/10 Cr-pyrope) and 46 orange mantle garnets which are between 0.25 and 0.5mm in size, plus 5 purple to red peridotitic garnets (G9/10 Cr-pyrope) and 3 orange mantle garnets in the 0.5 to 1.0mm size range. G9/10 garnets are considered significant as they are formed at the same temperatures and pressures as diamonds.

Orange mantle garnets can include eclogitic pyrope-almandine garnets (G3) and if eclogite mantle materials are present it is significant, as it tends to be associated with richer diamond grades. The garnets will be tested to establish whether eclogite mantle materials are present. In the Kuhmo region of Finland, high numbers of kimberlitic indicator minerals are typically only seen either directly over or within a hundred metres of a kimberlite source.

The indicator minerals have recently been sent for analysis by scanning electron microscopy for precise classification which will determine whether any of the sample material is derived from the diamond stability field.

Your Company has for some time been following up the diamondiferous kimberlitic indicator mineral trains that we have discovered on our Riihivaara target. The board is hopeful that we are getting very close to or immediately over the source.

The Riihivaara claim reservation lies approximately 10km southeast of the Company's Seitaperä kimberlite target in the Kuhmo municipality in Eastern Finland where your Company has outlined the largest diamondiferous pipe yet discovered in Finland.

Claims Reservations Granted

After year-end TUKES (The Finnish Mining Authority) granted Karelian three further exploration Claim Reservations located in the Kuhmo and Kuopio-Kaavi regions.

The Claim Reservation in the Kuhmo region is up ice from kimberlitic indicator minerals recovered previously by your Company at its Riihivaara diamond exploration target.

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

Kuopio-Kaavi is situated in Central Finland and is an established diamondiferous region. In both of the Claim Reservations granted in the Kuopio-Kaavi region, diamondiferous kimberlite bodies have been reported. These Claim Reservations were applied for with a view to re-evaluating known kimberlite bodies and following up on indicator mineral trains.

Five kimberlite bodies are known to be present in the Claim Reservation areas. Malmikaivos oy reported that four of these bodies contain diamonds, including Kimberlite body 21, a sample containing

128 diamonds of greater than 0.8 mm and also a large single stone of 1.126 ct.

We are delighted that we have secured these diamond bearing kimberlite bodies as part of our ongoing diamond exploration programme in Finland and our re-evaluation of the Kuopio-Kaavi area.

Agreement with Rio Tinto

The Company's agreement with Rio Tinto has been extended to 2020. 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.

As consideration for 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 tons 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 2014 was €198,891 (2013: €179,955) and the net assets as at 31 May 2014 were €8,406,643 (2013: €4,422,130).

As in previous years, I have supported the working capital requirements of the Company. The balance of the loans and interest due to me at the period end was €309,589. The loans have been made on standard 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 we look forward to building on these achievements. We have had excellent sample results and are hopefully getting very close to a kimberlite source.

Professor Richard Conroy

Chairman

21 November 2014

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2014**

	2014 €	2013 €
OPERATING EXPENSES	(191,139)	(165,604)
Finance income – bank interest receivable	699	-
Finance costs – Interest on shareholder loan	(8,451)	(14,351)
Loss Before Taxation	(198,891)	(179,955)
Taxation	-	-
LOSS RETAINED FOR THE YEAR	(198,891)	(179,955)
Loss per ordinary share	(€0.0013)	(€0.0019)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2014**

	2014 €	2013 €
ASSETS		
Non-current Assets		
Intangible assets	7,329,228	6,801,539
Investment in subsidiaries	4	4
Property, plant and equipment	165	333
	<u>7,329,397</u>	<u>6,801,876</u>
Current Assets		
Trade and other receivables	55,779	11,691
Cash and cash equivalents	2,105,041	2,506
	<u>2,160,820</u>	<u>14,197</u>
Total assets	<u>9,490,217</u>	<u>6,816,073</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Called up share capital	2,865,350	922,083
Share premium	6,786,177	4,621,158
Share based payments reserve	525,275	450,157
Retained earnings	(1,770,159)	(1,571,268)
Total equity	<u>8,406,643</u>	<u>4,422,130</u>
Non-current liabilities		
Financial liabilities	309,589	1,171,968
Total non-current liabilities	<u>309,589</u>	<u>1,171,968</u>
Current liabilities		
Trade and other payables	773,985	1,221,975
Total Current Liabilities	<u>773,985</u>	<u>1,221,975</u>
Total Liabilities	<u>1,083,574</u>	<u>2,393,943</u>
Total Equity and Liabilities	<u>9,490,217</u>	<u>6,816,073</u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2014**

	2014 €	2013 €
Cash used in operations	(147,489)	(50,768)
Tax paid	-	-
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Net cash used in operating activities	(147,489)	(50,768)
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Cash flows from investing activities		
Investment in exploration and evaluation assets	(432,548)	(292,105)
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Net cash used in investing activities	(432,548)	(292,105)
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of share capital (net of share issue expenses)	3,025,788	-
Increase in accrued director's remuneration	-	242,325
(Repayment)/Advances of Shareholder loans	(343,915)	93,000
Interest received	699	-
	<hr/>	<hr/>
Net cash generated from financing activities	2,682,572	335,325
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	2,102,535	(7,548)
Cash and cash equivalents at beginning of year	2,506	10,054
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Cash and cash equivalents at end of year	2,105,041	2,506
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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 2014 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 €0.0013 (2013 - €0.0019) is based on the loss for the financial year of €198,891 (2013 – €179,955) and the weighted average number of ordinary shares in issue on a basic and fully diluted basis during the year of 157,942,015 (2013 – 92,308,242).

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 2014.

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 15 December 2014 and Proxy Form will be sent to Shareholders in due course.