



23 November 2015

Karelian Diamond Resources Plc

("KDR" or the "Company")

Final results for the year ended 31 May 2015

Excellent Progress Made – new kimberlite body discovered

Karelian (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2015, a year in which highly encouraging progress has been made towards achieving the aim of discovering a world class diamond deposit in Finland.

Highlights:

- Discovery of a new kimberlite body at Rihiiwaara
- Excellent laboratory sample results
- Confirmed that the sample material derived from the diamond stability field
- Rio Tinto analysis confirms presence of G10(D) Garnets which have proven to be positive indicators of diamonds in the past
- Rio Tinto agreement extended to 2020

Professor Richard Conroy, Chairman, stated:

"The Company made a very important discovery at Rihiiwaara during the year where we have identified a new kimberlite body. Analysis of the sample material from Rihiiwaara is highly encouraging and we are carrying out further work which we believe will lead to an important new discovery"

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc
Virginia Bull / Simon Clements, Sanlam Securities UK Limited (Nomad)
Ger Heffernan/Jan Fitzell, IBI Corporate Finance Limited (ESM Adviser)
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Chairman's Statement

I have pleasure in presenting your Company's Annual Report and Financial Statements for the financial year ended 31 May 2015. The year has been an excellent one for your Company culminating in the discovery of a new kimberlite body at Riihiivaara near Kuhmo in Eastern Finland close to the Russian border. This discovery is a major step forward in your Company's diamond exploration programme in the Karelian Craton.

The diamond prospectivity of the Karelian Craton is indicated by presence of the world class Lomonosova and Grib Pipe diamond deposits in the Russian Sector of the Craton. Indeed, ALROSA Group, the Russian company which is the world's largest diamond miner, has indicated that this new diamond region will represent almost all of its future growth.

Your Company's objective is to search for diamond deposits in similar geology on the Finnish side of the Karelian Craton. To this end your Company has for some years been conducting an extensive exploration programme for diamonds in Finland. Finland is recognised by the prestigious Fraser Institute as the most attractive jurisdiction in the world for mining investment.

Discovery of New Kimberlite Body

The recovery of high concentrations of kimberlitic indicator minerals ("KIMs") during exploration at Riihiivaara in the Kuhmo region suggests the possible presence in the area of a new kimberlite source.

Laboratory results from a sample collected from the Riihiivaara target in the area showed high concentrations of over 100 KIMs. The results included 48 purple to red peridotitic garnets (G9/10 Cr-pyrope) and 46 orange mantle garnets between 0.25 and 0.5mm in size, plus five purple to red peridotitic garnets (G9/10 Cr-pyrope) and three 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 they may be associated with richer diamond grades.

The indicator minerals were sent for analysis by Scanning Electron Microscopy ("SEM") for precise classification which would determine whether any of the sample material was derived from the diamond stability field.

The results confirmed that the sample material had been derived from the diamond stability field and that eclogitic grains were also present in the sample and raised the prospect of a new kimberlite discovery in an area where your Company, at Seitaperä, has already outlined the largest diamondiferous pipe so far discovered in Finland.

Early in 2015, your Company was delighted to announce that it had discovered a new kimberlite body during follow-up pitting in the area of Riihiivaara where the samples containing high concentrations of kimberlite indicator minerals had been found during our previous exploration work. The material recovered from the pit was confirmed as being kimberlitic by Dr Hugh O'Brien of the Geological Survey of Finland (GTK), an acknowledged expert in the field.

Subsequent analyses by Rio Tinto Mining and Exploration in their Melbourne Laboratories of samples collected by your Company close to this newly discovered kimberlite body identified high category rating diamondiferous kimberlite indicator minerals in the samples. The results included G10(D) Garnets which as they are low calcium chrome pyropes that form within the diamond stability field of the upper mantle, where the temperature and pressure is suitable for the formation of diamonds, is particularly encouraging.

The discovery of a new kimberlite body opens up the possibility of a new diamond source in the area and is very exciting news for your Company.

Exploration Elsewhere in Finland

Exploration work is also continuing elsewhere on your Company's other exploration licences in Finland, particularly on those located in the Kuopio Kaavi region, a known diamondiferous area.

Kuopio-Kaavi is situated in Central Finland. Five kimberlite bodies are known to be present in the Claim Reservations held by your Company in the area. As part of our re-evaluation of the Kuopio- Kaavi area, we are reassessing these kimberlite bodies, four of which are known to be diamond bearing.

Agreement with Rio Tinto

Your Company has a Confidentiality Agreement (with Back in Rights) with Rio Tinto Mining and Exploration Limited ("Rio Tinto"). I am delighted that this 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.

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.

Finance

The loss after taxation for the year ended 31 May 2015 was €121,551 (2014: €198,891) and the net assets as at 31 May 2015 were €8,330,073 (2014: €8,406,643).

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 €309,589. 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 this opportunity to thank the partners and staff of Deloitte for their services to your Company during the course of the financial 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.

I would like in particular to thank Roger Chaplin, who is retiring, for his excellent contribution to your Company over the years and to wish him well in his retirement.

Future Outlook

Your Company has made highly significant progress in its diamond exploration programme in Finland during the past year. We look forward to building on this success in the coming year.

Professor Richard Conroy

Chairman

20 November 2015

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2015**

	2015	2014
	€	€
OPERATING EXPENSES	(124,488)	(191,139)
Finance income – bank interest receivable	2,937	699
Finance costs – Interest on shareholder loan	-	(8,451)
Loss Before Taxation	(121,551)	(198,891)
Taxation	-	-
LOSS RETAINED FOR THE YEAR	(121,551)	(198,891)
Loss per ordinary share	(€0.0004)	(€0.0013)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2015**

	2015 €	2014 €
ASSETS		
Non-current Assets		
Intangible assets	8,029,132	7,329,228
Investment in subsidiaries	4	4
Property, plant and equipment	-	165
	<u>8,029,136</u>	<u>7,329,397</u>
Current Assets		
Trade and other receivables	402,122	55,779
Cash and cash equivalents	474,026	2,105,041
	<u>876,148</u>	<u>2,160,820</u>
Total assets	<u>8,905,284</u>	<u>9,490,217</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Called up share capital	2,865,350	2,865,350
Share premium	6,786,177	6,786,177
Share based payments reserve	570,256	525,275
Retained earnings	<u>(1,891,710)</u>	<u>(1,770,159)</u>
Total equity	<u>8,330,073</u>	<u>8,406,643</u>
Non-current liabilities		
Financial liabilities	<u>309,589</u>	<u>309,589</u>
Total non-current liabilities	<u>309,589</u>	<u>309,589</u>
Current liabilities		
Trade and other payables	<u>265,622</u>	<u>773,985</u>
Total Current Liabilities	<u>265,622</u>	<u>773,985</u>
Total Liabilities	<u>575,211</u>	<u>1,083,574</u>
Total Equity and Liabilities	<u>8,905,284</u>	<u>9,490,217</u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2015**

	2015 €	2014 €
Cash used in operations	(971,118)	(147,489)
Tax paid	-	-
	<hr/>	<hr/>
Net cash used in operating activities	(971,118)	(147,489)
	<hr/>	<hr/>
Cash flows from investing activities		
Investment in exploration and evaluation assets	(662,834)	(432,548)
	<hr/>	<hr/>
Net cash used in investing activities	(662,834)	(432,548)
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Cash flows from financing activities		
Issue of share capital (net of share issue expenses)	-	3,025,788
Increase in accrued director's remuneration	-	-
(Repayment)/Advances of Shareholder loans	-	(343,915)
Interest received	2,937	699
	<hr/>	<hr/>
Net cash generated from financing activities	2,937	2,682,572
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	(1,631,015)	2,102,535
Cash and cash equivalents at beginning of year	2,105,041	2,506
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Cash and cash equivalents at end of year	474,026	2,105,041
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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 1119 of the Companies Act 2014.

The financial information for the year ended 31 May 2015 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 (2014 - €0.0013) is based on the loss for the financial year of €121,551 (2014 – €198,891) and the weighted average number of ordinary shares in issue on a basic and fully diluted basis during the year of 286,535,034 (2014 – 157,942,015).

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 2015.

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, 9 Merrion Square North, Dublin 2. It will also be forwarded to shareholders who requested a hard copy. Notice of the Annual General Meeting to be held on 14 December 2015 and a Proxy Form were sent to shareholders on 20 November 2015 and are also available on the website.