

Karelian Diamond Resources Plc
("KDR" or the "Company")

Final results for the year ended 31 May 2017, capital reorganisation and notice of annual general meeting

A Year of Great Success in the Field

Karelian (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2017. The year was one of great success in the exploration field, including the discovery of a diamond in till in the Kuhmo region of Finland.

Highlights:

- Rare diamond discovery in till sample from Kuhmo region
- Kimberlite body discovered at Riihivaara
- Preliminary Economic Assessment for Lahtojoki Diamond Deposit
 - Non JORC estimate of 2,225,000 carats indicated, recovery of 95% estimated
- Lahtojoki Diamond mining permit and data transferred to Karelian
- Additional diamond resource potential in the Lahtojoki area adds to financial attractiveness

In addition, the Company announces a proposed capital reorganisation, further details of which are set out in below.

The annual general meeting will be held at the Conrad Dublin, Earlsfort Terrace, Dublin 2 on Thursday 21 December 2017 at 12 noon.

Professor Richard Conroy, Chairman, stated:

"As a matter of priority your Company is now engaged in an exploration programme to discover the source of the diamond. We have a combined diamond exploration and development programme in place as we look to develop the Lahtojoki diamond deposit, which has the potential to become the first diamond mine in Europe (outside Russia), improve our knowledge of the Riihivaara pipe and to identify the source of the diamond."

Further Information:

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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 2017.

The year was one of great success in the exploration field with the discovery of a diamond in till in the Kuhmo region of Finland.

Introduction

Your Company's diamond exploration and development programmes are located in the Karelian Craton in Finland. The diamond prospectivity of this Craton, which lies across Northern Finland and Russia, has been demonstrated by the discovery and development of the world class Lomonosova and Grib Pipe diamond deposits in the Russian sector of the Craton. Your Company's objective is to discover, or acquire, and develop diamond deposits in the Finnish sector of the Craton.

Diamond Discovery

The outstanding event of the year was the discovery of a diamond in a till sample taken in the Kuhmo region in Finland. The diamond is a sparkling clear crystal, greenish in colour and 0.8mm in diameter, forming a 12-sided, curved and twinned dodecahedron.

The discovery of a diamond in a till exploration sample is an extremely rare event. The long established international diamond laboratory ODM, which processed the sample and which has processed more than 50,000 explorations till samples worldwide, including those involved in the major Canadian diamond discoveries at Slave Lake, has recovered less than 10 naturally occurring diamonds during the entire period of diamond discoveries in Canada from early 1990s.

As a matter of priority your Company is now engaged in an exploration programme to discover the source of this diamond. The programme includes airborne and ground geophysics and an extensive pitting programme up-ice from the site of the discovery.

Lahtojoki

Your Company has acquired a mining concession over the Lahtojoki diamond deposit in the Kaavi region of Finland, and the Company has received a Preliminary Economic Assessment ("PEA") on the deposit. Analysis of combined microdiamond and mini-bulk sample data suggests a +1mm recoverable grade of 40 Carats Per Hundred Tonnes ("cpht") and indicates the presence of a high percentage of gem quality stones within the diamonds that have been recovered to date.

Previous drilling indicates 5,603,584 tonnes are present to a depth of 160 metres below surface. For the purposes of the PEA US\$100/carat was used in the economic evaluation and mine design.

A total resource (Non Joint Ore Reserve Committee) estimate of 2,225,000 carats was indicated in the study. Plant recovery of diamonds was estimated at 95% (2.11 million carats recoverable).

The Lahtojoki diamond ore body was acquired from A & G Mining Oy ("AGM"), a private Finnish company. The ore body is situated in the Kuopio - Kaavi region in Finland. The location is highly favourable for development with excellent infrastructure including good road access and power distribution and local technical and logistics availability. The Lahtojoki diamond ore body has, we believe, the potential to become a profitable open pit diamond mine and your Company has received a Mining Concession for its development from the Finnish Safety and Chemical Agency ("TUKES").

Under the terms of the acquisition a royalty of 1% is payable to AGM either in diamonds or cash on cumulative diamond production above 2.5 million carats in addition to a purchase price of €150,000 (comprising an initial purchase price of €50,000 plus a further €100,000 after 24 months unless Karelian decides not to develop the project).

Finland is recognised by the prestigious Fraser Institute as one of the most attractive jurisdictions in the world for mining investment and the mine, if developed, would be the first diamond mine in Europe (outside Russia).

Diamond exploration around Lahtojoki

Exploration in the vicinity of the Lahtojoki diamond deposit has identified kimberlite boulder fragments. The location of these fragments does not coincide with either of the known ice flow directions from the Lahtojoki deposit in the area, also kimberlite is classified as cohesive (hypabyssal) kimberlite, which is an extremely rare kimberlite facies in the Lahtojoki Kimberlite pipe. Your Company is undertaking an exploration programme in this area to determine the source of these boulders.

The presence of additional diamond resource potential in the area adjacent to Lahtojoki would, if confirmed, further add to the financial and technical attractiveness of the Lahtojoki diamond deposit.

Riihivaarä

In addition Karelian Diamonds has discovered a kimberlite body, the first to be discovered in Finland in over 10 years. The discovery was made at Riihivaarä, also in the Kuhmo region. The discovery was made through a combination of till sampling and ground geophysics. The kimberlite body has been intersected by five trenches, is interpreted to be a dyke and is open along strike and at depth.

Kimberlite indicator minerals from Riihivaarä have been analysed using MLA screening followed by laser ablation ICP-MS analysis of trace-elements for grains of higher interest. The results showed that the geotherm is prospective for diamonds and the kimberlite has been sampled to a model depth of greater than 2000km, well into the diamond stability field. The kimberlite is therefore likely to be diamondiferous.

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 your Company confidential information and physical geological samples relating to exploration in Finland for the purpose of your Company considering that information in relation to its potential and existing exploration programmes in Finland.

In consideration of Rio Tinto disclosing the confidential information to it, your Company has agreed that Rio Tinto will have the option to earn a 51 per cent interest in any project identified by your Company in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project.

Finance

The loss after taxation for the financial year ended 31 May 2017 was €410,814 (2016: €258,734) and the net assets as at 31 May 2017 were €9,456,035 (2016: €8,470,973).

On 21 December 2016, your Company raised £425,000 (€505,000) before expenses through the issue of 94,444,444 ordinary shares at 0.45p sterling for each ordinary share, together with 47,222,222 warrants at an exercise price of 0.8p sterling per warrant, exercisable until 29 December 2018.

On 12 April 2017, your Company raised £775,000 (€914,500) before expenses through the issue of 172,222,220 ordinary shares at 0.45p sterling for each ordinary share together, with 79,629,631 warrants at an exercise price of 0.8p sterling per warrant, exercisable until 28 April 2019.

Following a capital reorganisation pursuant to the Annual General Meeting becoming effective, the issued share capital as of 9 December 2016 comprised 317,785,034 ordinary shares and 317,785,034 deferred shares (detailed in Note 12).

Share consolidation

The ordinary shares have recently traded in a range at a fraction of a cent. Shareholders will be asked at the Annual General Meeting to approve the consolidation of the Company's shares which will reduce the number of shares in issue and, the Board of Directors expect, result in a share price more appropriate for your Company and more attractive to a greater number of investors. The effect of the consolidation is to reduce the number of ordinary shares in issue by a multiple of approximately 25 and, accordingly, assuming normal market conditions, to increase the price at which the new ordinary shares will trade to approximately 25 times the value at which the existing ordinary shares currently trade.

Subject to approval by the shareholders at the Annual General Meeting, the Directors propose that the issued and unissued ordinary shares will be consolidated into new ordinary shares ("Consolidated Shares") of €0.00025 each.

Immediately following the proposed consolidation, each existing shareholder will hold 1 new ordinary share in place of each 25 existing ordinary shares. New certificates representing the Consolidated Shares will be issued as soon as practicable after the record date.

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 and staff

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

Future outlook

Your Company has continued to make excellent progress in what is now a combined diamond exploration and development programme. We look forward to building rapidly on this success in the coming year.

Professor Richard Conroy
Chairman

28 November 2017

Income statement for the financial year ended 31 May 2017

	Note	2017 €	2016 €
Continuing operations			
Operating expenses	3	(410,814)	(258,904)
Finance income – bank interest receivable		-	170
Loss before taxation		<u>(410,814)</u>	<u>(258,734)</u>
Income tax expenses	5	-	-
Loss for the financial year		<u>(410,814)</u>	<u>(258,734)</u>
Loss per share			
Basic and diluted loss per share	6	<u>€(0.0011)</u>	<u>€(0.0008)</u>

The total loss for the financial year is entirely attributable to equity holders of the Company.

Statement of comprehensive income for the financial year ended 31 May 2017

	2017 €	2016 €
Loss for the financial year	(410,814)	(258,734)
Income/expense recognised in other comprehensive income	-	-
Total comprehensive expense for the financial year	<u>(410,814)</u>	<u>(258,734)</u>

The total comprehensive expense for the financial year is entirely attributable to equity holders of the Company.

Statement of financial position as at 31 May 2017

	Note	31 May 2017 €	31 May 2016 €
Assets			
Non-current assets			
Intangible assets	7	9,276,955	8,712,953
Financial assets		4	4
Total non-current assets		<u>9,276,959</u>	<u>8,712,957</u>
Current assets			
Cash and cash equivalents	8	523,324	341,737
Other receivables	9	292,562	211,368
Total current assets		<u>815,886</u>	<u>553,105</u>
Total assets		<u>10,092,845</u>	<u>9,266,062</u>
Equity			
Capital and reserves			
Called up share capital	12	5,844	3,177,850
Called up deferred share capital	12	3,174,672	-
Share premium	12	8,201,664	6,791,581
Share based payments reserve		765,977	665,127
Retained losses		(2,692,122)	(2,163,585)
Total equity		<u>9,456,035</u>	<u>8,470,973</u>
Liabilities			
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	10	158,008	309,589
Total non-current liabilities		<u>158,008</u>	<u>309,589</u>
Current liabilities			
Trade and other payables: amounts falling due within one year	11	478,802	485,500
Total current liabilities		<u>478,802</u>	<u>485,500</u>
Total liabilities		<u>636,810</u>	<u>795,089</u>
Total equity and liabilities		<u>10,092,845</u>	<u>9,266,062</u>

The financial statements were approved by the Board of Directors on 28 November 2017 and authorised for issue on 28 November 2017.

Statement of cash flows for the financial year ended 31 May 2017

	2017 €	2016 €
Cash flows from operating activities		
Loss for the financial year	(410,814)	(258,734)
Adjustments for:		
Interest income	-	(170)
Expense recognised in income statement in respect of equity settled share based payments	74,280	18,301
(Decrease)/increase in creditors	(6,698)	219,878
(Increase)/decrease in debtors	(81,194)	190,754
Net cash (used in)/provided by operating activities	(424,426)	170,029
Cash flows from investing activities		
Investment in exploration and evaluation	(537,432)	(607,251)
Cash used in investing activities	(537,432)	(607,251)
Cash flows from financing activities		
Issue of share capital	1,412,749	317,904
Share issue costs	(117,723)	(13,141)
Shareholder loan repayment	(151,581)	-
Interest received	-	170
Net cash provided by financing activities	1,143,445	304,933
Increase/(decrease) in cash and cash equivalents	181,587	(132,289)
Cash and cash equivalents at beginning of financial year	341,737	474,026
Cash and cash equivalents at end of financial year	523,324	341,737

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

Statement of changes in equity for the financial year ended 31 May 2017

	Share capital €	Share premium €	Share-based payment reserve €	Retained losses €	Total equity €
Balance at 1 June 2016	3,177,850	6,791,581	665,127	(2,163,585)	8,470,973
Share issue	2,666	1,410,083	-	-	1,412,749
Share issue costs	-	-	-	(117,723)	(117,723)
Share-based payments	-	-	100,850	-	100,850
Loss for the financial year	-	-	-	(410,814)	(410,814)
Balance at 31 May 2017	3,180,516	8,201,664	765,977	(2,692,122)	9,456,035
Balance at 1 June 2015	2,865,350	6,786,177	570,256	(1,891,710)	8,330,073
Share issue	312,500	5,404	-	-	317,904
Share issue costs	-	-	-	(13,141)	(13,141)
Share-based payments	-	-	94,871	-	94,871
Loss for the financial year	-	-	-	(258,734)	(258,734)
Balance at 31 May 2016	3,177,850	6,791,581	665,127	(2,163,585)	8,470,973

Share capital

The share capital comprises of 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 Extraordinary General Meeting held on 9 December 2016. A detailed breakdown of the share capital figure is included in Note 12.

Share premium

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

Share based payment reserve

The share based payment reserve represents the amount expensed to the income statement and 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 absorbed by the Company to the statement of financial position date.

Notes to and forming part of the financial statements for the financial year ended 31 May 2017

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 2017 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 Going concern

The Company incurred a loss of €410,814 (2016: €258,734) for the financial year ended 31 May 2017. The Company had net current assets of €337,084 (2016: €67,605) at that date.

The Directors, have confirmed that they will not seek repayment of amounts owed to them by the Company of €324,013 (2016: €399,007) within 12 months of the date of approval of the financial statements, unless the Company has sufficient funds to repay.

The Company has confirmed to Conroy Gold and Natural Resources P.L.C. that it will not seek repayment of amounts owed by Conroy Gold and Natural Resources P.L.C. at 31 May 2017 of €273,800 (2016: €168,825) for a period of at least 12 months from the date of approval of the financial statements of Conroy Gold and Natural Resources P.L.C., unless Conroy Gold and Natural Resources P.L.C. has sufficient funds to repay. There is a commonality of certain Directors and certain shareholders between the Company and Conroy Gold and Natural Resources P.L.C.

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 2018. As set out further in the Chairman's statement, the Company expects to incur material levels of capital expenditure in 2018, consistent with its strategy as an exploration company. In reviewing the proposed work programme for exploration and evaluation assets and on the basis of the equity raised during the financial year, 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 financial statements on a going concern basis.

3 Operating expenses

	2017 €	2016 €
(a) Analysis of operating expenses		
Operating expenses	718,854	617,067
Transfer to intangible assets	<u>(308,040)</u>	<u>(358,163)</u>
	<u>410,814</u>	<u>258,904</u>
<i>Operating expenses are analysed as follows:</i>		
Wages, salaries and related costs	289,008	240,831
Share based payments	100,850	94,871

Auditor remuneration	12,500	12,500
Other operating expenses	316,496	268,865
	718,854	617,067

Of the above costs, a total of €308,040 (2016: €358,163) is capitalised to intangible assets based on a review of the nature and quantum of the underlying costs.

	2017	2016
	€	€
(b) Wages, salaries and related costs as disclosed above is analysed as follows:		
Wages and salaries	264,671	216,581
Social insurance costs	337	250
Retirement benefit costs	24,000	24,000
Other compensation costs	-	-
	289,008	240,831

Amount of wages, salaries and related capitalised to intangible assets during the financial year was €146,274 (2016: €197,934).

The average number of persons employed during the year (including executive Directors) by activity was as follows:

	2017	2016
Corporate management and administration	<u>3</u>	<u>3</u>
	3	3

An analysis of remuneration for each Director of the Company in the current financial year (prior to amounts transferred to intangible assets) is as follows:

	Fees €	Salary €	Share based payment €	Pension contributions €	Total €
Professor Richard Conroy	20,000	65,000	20,120	-	105,120
Maureen T.A. Jones	10,000	50,000	12,520	15,000	87,520
James P. Jones	10,000	30,000	8,072	9,000	57,072
Louis J. Maguire	10,000	-	524	-	10,524
Séamus P. Fitzpatrick	10,000	-	524	-	10,524
Dr. Sorca Conroy	10,000	-	-	-	10,000
	70,000	145,000	41,760	24,000	280,760

An analysis of remuneration for each Director of the Company in the prior financial year (prior to amounts transferred to intangible assets) is as follows:

	Fees €	Salary €	Share based payment €	Pension contributions €	Total €
Professor Richard Conroy	20,000	65,000	12,460	-	97,460
Maureen T.A. Jones	10,000	50,000	9,459	15,000	84,459
James P. Jones	10,000	30,000	5,878	9,000	54,878
Louis J. Maguire	10,000	-	524	-	10,524
Séamus P. Fitzpatrick	10,000	-	524	-	10,524
Dr. Sorca Conroy	10,000	-	-	-	10,000
Roger I. Chaplin	5,385	-	161	-	5,546
	75,385	145,000	29,006	24,000	273,391

The total share based payment charge of €100,850 (2016: €94,871) is accounted for as shown below:

	2017	2016
	€	€
Share based payment charge expensed to income statement	74,280	18,301
Share based payment charge transferred to intangible assets	26,570	76,570
	<u>100,850</u>	<u>94,871</u>

In the opinion of the Directors, approximately 63% (2016: 80%) of the share based payment charge is directly related to exploration and evaluation activities, and has been capitalised within intangible assets.

4 Directors' remuneration

	2017	2016
	€	€
Aggregate emoluments paid to or receivable by Directors in respect of qualifying services	215,000	220,385
Aggregate amount of gains by Directors on exercise of share options during the financial year	-	-
Aggregate amount of money or value of other assets including shares, but excluding share options, paid to or receivable by the Directors under long term incentive schemes in respect of qualifying services	<u>41,760</u>	<u>29,006</u>

	2017	2016
	€	€
Aggregate contributions paid, treated as paid, or payable during the financial year to a retirement benefit scheme in respect of qualifying services of Directors:		
<ul style="list-style-type: none"> • Defined contribution scheme – for 2 Directors (2016: 2) • Defined benefit scheme 	24,000	24,000
	<u>-</u>	<u>-</u>

	2017	2016
	€	€
Compensation paid, or payable, or other termination payments in respect of loss of office to Directors of the Company in the financial year:		
<ul style="list-style-type: none"> • Officer of Director of the Company • Other offices 	-	-
	<u>-</u>	<u>-</u>

	2017	2016
	€	€
Amounts paid or payable to past Directors of the Company or its holding undertaking:		
<ul style="list-style-type: none"> • For retirement benefits in relation to services as Directors • For other retirement benefits 	-	-
	<u>-</u>	<u>-</u>

	2017	2016
	€	€
Compensation paid or payable for loss of office or other termination benefits:		

• Office of Director	-	-
• Other offices	-	-

5 Income tax expense

No taxation charge arose in the current or prior financial year due to losses incurred.

Factors affecting the tax charge for the financial year:

The total tax charge for the financial year is different to the standard rate of Irish corporation tax. This is due to the following:

	2017	2016
	€	€
Loss on ordinary activities before tax	(410,814)	(258,734)
Irish standard tax rate	12.50%	12.50%
Tax credit at the Irish standard rate	(51,352)	(32,342)
Effects of:		
Losses carried forward for future utilisation	51,352	32,342
Tax charge for the financial year	-	-

No deferred tax asset has been recognised on accumulated tax losses as it cannot be considered probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Unutilised losses may be carried forward from the date of the origination of the losses, but may only be offset against taxable profits earned from the same trade.

6 Loss per share

Basic earnings per share

	2017	2016
	€	€
Loss for the year attributable to equity holder of the Company	(410,814)	(258,734)
Number of ordinary shares at start of financial year	317,785,034	286,535,034
Number of ordinary shares issued during the financial year	266,666,664	31,250,000
Number of ordinary shares at end of financial year	584,451,698	317,785,034
Weighted average number of ordinary shares for the purposes of basic earnings per share	382,564,333	287,219,281
Basic loss per ordinary share	(€0.0011)	(€0.0008)

Diluted earnings per share

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

7 Intangible assets

Exploration and evaluation assets

Cost	2017	2016
	€	€
<i>At 1 June</i>	8,712,953	8,029,132
Expenditure during the financial year		
• Licence and appraisal costs	255,962	325,658
• Other operating expenses (Note 3)	281,470	281,413
• Equity settled share based payments (Note 3)	26,570	76,750
<i>At 31 May</i>	9,276,955	8,712,953

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 reserves. 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 reserves and the availability of sufficient finance to bring the resources to economic maturity and profitability.

8 Cash and cash equivalents

	31 May 2017	31 May 2016
	€	€
Cash held in bank accounts	<u>523,324</u>	<u>341,737</u>
	523,324	341,737

The cash held in bank accounts is held solely with AIB, in both sterling and € bank accounts (2016: solely with AIB).

9 Other receivables

	31 May 2017	31 May 2016
	€	€
Amount due from related party	273,800	168,825
Vat receivable	18,762	39,833
Other debtors	<u>-</u>	<u>2,710</u>
	292,562	211,368

The Company has confirmed to Conroy Gold and Natural Resources P.L.C. that it will not seek repayment of amounts owed by Conroy Gold and Natural Resources P.L.C. at 31 May 2017 of €273,800 (2016: €168,825) for a period of at least 12 months from the date of approval of the financial statements of Conroy Gold and Natural Resources P.L.C., unless Conroy Gold and Natural Resources P.L.C. has sufficient funds to repay. There is a commonality of certain Directors and certain shareholders between the Company and Conroy Gold and Natural Resources P.L.C.

10 Trade and other payables: amounts falling due after more than one year Shareholder loan

	31 May 2017	31 May 2016
	€	€
<i>Opening balance 1 June</i>	309,589	309,589
Loan repayment	(151,581)	-
<i>Closing balance 31 May</i>	<u>158,008</u>	<u>309,589</u>

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). This loan is interest free and is repayable on demand. Professor Richard Conroy has undertaken to not seek repayment of this amount within 12 months of the date of approval of the financial statements, unless the Company has sufficient funds to repay.

11 Trade and other payables: amounts falling due within one year

	31 May 2017 €	31 May 2016 €
Accrued Directors' remuneration		
Fees and other emoluments	96,013	195,007
Pension contributions	228,000	204,000
Other accruals	154,789	86,493
	<u>478,802</u>	<u>485,500</u>

It is the Company's practice to agree terms of transactions, including payment terms with suppliers. It is the Company's policy that payment is made according to the agreed terms. The carrying value of the trade and other payables approximates to their fair value.

12 Called up share capital and share premium

	31 May 2017 €	31 May 2016 €
Authorised:		
182,532,751,034 ordinary shares of €0.00001 each*	1,825,328	-
317,785,034 deferred shares of €0.00999 each*	3,174,672	-
500,000,000 ordinary shares of €0.01 each	-	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

*Capital reorganisation:

Following approval at the Annual General Meeting 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 will have no right to receive any dividend or other distribution and will 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 or the Irish Stock Exchange for admission of the Deferred Shares to trading on AIM or the ESM.

On 6 November 2017, the Company cancelled the admission of its ordinary shares to trade on the ESM of the Irish Stock Exchange. This cancellation occurred on 6 November 2017.

Issued and fully paid – Current financial year

	Number of ordinary shares	Called up share capital €	Called up deferred share capital €	Share premium €
<i>Start of current financial year</i>	<u>317,785,034</u>	<u>3,177,850</u>	-	<u>6,791,581</u>
Reclassified	317,785,034	3,178	3,174,672	6,791,581
Share issue (b)	94,444,444	944	-	498,307
Share issue (c)	172,222,220	1,722	-	911,776
<i>End of current financial year</i>	<u>584,451,698</u>	<u>5,844</u>	<u>3,174,672</u>	<u>8,201,664</u>

Issued and fully paid – Prior financial year

	Number of ordinary shares	Called up share capital €	Called up deferred share capital €	Share premium €
<i>Start of previous financial year</i>	286,535,034	2,865,350	-	6,786,177
Share issue (a)	31,250,000	312,500	-	5,404

<i>End of previous financial year</i>	317,785,034	3,177,850	-	6,791,581
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- (a) On 16 May 2016, 31,250,000 ordinary shares of €0.01 were issued each at 0.8p sterling (€0.010173) per ordinary share resulting in a premium of €0.000173 per share. Further, on 16 May 2016, 31,500,000 warrants at an exercise price of 1.6p sterling per warrant were issued. The warrants can be exercised at any time up to 24 May 2018. The warrants also contain a mandatory exercise clause if the closing price of the ordinary shares remains at 5p sterling or higher for 10 or more consecutive business days.
- (b) On 21 December 2016, 94,444,444 ordinary shares of €0.00001 were issued, each at 0.45p sterling (€0.00534188) per ordinary share resulting in a premium of €0.00533188 per share. Further, on 21 December 2016, 47,222,222 warrants at an exercise price of 0.8p sterling per warrant were issued. The warrants can be exercised at any time up to 29 December 2018.
- (c) On 12 April 2017, 172,222,220 ordinary shares of €0.00001 were issued, each at 0.45p sterling (€0.00527364) per ordinary share resulting in a premium of €0.00526364 per share. Further, on 12 April 2017, 79,629,631 warrants at an exercise price of 0.8p sterling per warrant were issued. The warrants can be exercised at any time up to 28 April 2019.
- (d) At 31 May 2017 and 31 May 2016, warrants over 12,852,677 ordinary shares exercisable at 10p sterling at any time up to 16 November 2022 were also outstanding.
- (e) At 31 May 2017, 800,000 (2016: 1,000,000) options were outstanding, exercisable at €0.0761 (2016: exercisable prices ranged from €0.0761 to €0.0975) and will expire on 14 January 2018.
- (f) The ordinary share price at 31 May 2017 was 0.53525p sterling (after capital reorganisation) (2016:1.0000p sterling). During the financial year the ordinary share price ranged from 0.42013p sterling to 1.02500p sterling (2016: 0.52500p sterling to 1.2000p sterling).

13 Related party transactions

(a) Details of a shareholder loan advanced by Professor Richard Conroy are outlined in Note 10. Professor Richard Conroy has undertaken to not seek repayment of this amount within 12 months of the date of approval of the financial statements, unless the Company has sufficient funds to repay

(b) The Company shares accommodation with Conroy Gold and Natural Resources P.L.C. which has certain common Directors and shareholders. For the financial year ended 31 May 2017, Conroy Gold and Natural Resources P.L.C. incurred costs totalling €278,810 (2016: €245,733) on behalf of the Company. These costs were recharged to the Company by Conroy Gold and Natural Resources P.L.C.

	2017	2016
	€	€
Exploration costs	87,493	118,964
Other operating expenses	47,196	46,958
Office salaries	46,343	6,344
Travel and subsistence	41,313	16,776
Rent and rates	31,793	34,876
Legal and professional	24,672	21,815
	278,810	245,733

(c) At 31 May 2017, Conroy Gold and Natural Resources P.L.C. owed €273,800 (2016: €168,825) to the Company. Amounts owed from to Conroy Gold and Natural Resources P.L.C. are included within other receivables in the current and previous financial years. The Company has confirmed to Conroy Gold and Natural Resources P.L.C. that it will not seek the repayment of the amounts owed by Conroy Gold and Natural Resources P.L.C. at 31 May 2017 for a period of at least 12 months from the date of approval of the financial statements of Conroy Gold and Natural Resources P.L.C. unless Conroy Gold and Natural Resources P.L.C. has sufficient funds to repay. There is a commonality of certain directors and certain shareholders between the Company and Conroy Gold and Natural Resources P.L.C.

(d) At 31 May 2017, Maureen Jones T.A. was owed €80 (2016: €80) by the Company.

(e) Details of key management compensation which comprises Directors remuneration are detailed in Note 3 to the financial statements.

(f) Details of share capital transactions with the Directors are disclosed in the Directors Report.

(g) Apart from Directors remuneration (detailed in Note 3 and Note 4), a loan from a shareholder (who is also a Director which is detailed in Note 10), and share capital transactions (which are detailed within the Directors Report), there here have been no contracts or arrangements entered into during the financial year in which a Director of the Company had a material interest.

14 Dividends

No dividends were paid or are proposed in respect of the year ended 31 May 2017.

15 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, 3300 Lake Drive, Citywest Business Campus, Dublin 24, D24 TD21, Ireland. It will also be forwarded to shareholders who requested a hard copy. Notice of the Annual General Meeting to be held on 21 December 2017 and Proxy Form were sent to shareholders on 28 November 2017 and are also available on the website.

Further details of the capital reorganisation:

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication and posting to Shareholders of the annual report and accounts	28 November 2017
Latest time and date for receipt of Forms of Proxy	12 noon on 19 December 2017
Annual General Meeting	12 noon on 21 December 2017
Latest time and date for dealings in existing ordinary shares	4.30pm on 21 December 2017
Record date	6.00pm on 21 December 2017
Admission effective and commencement of dealings in the new ordinary shares	8.00am on 22 December 2017
CREST accounts credited with the new ordinary shares in uncertificated form	22 December 2017
Despatch of definitive certificates for new ordinary shares (in certificated form)	On or around 5 January 2018

Notes:

(1) References to times in this document are to London time (unless otherwise stated).

(2) The dates set out in the timetable above may be subject to change.

(3) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement to a regulatory information service.

STATISTICS RELATING TO THE CAPITAL REORGANISATION

Existing ordinary shares in issue at the date of this announcement 584,451,698

Conversion ratio of existing ordinary Shares to Consolidated Shares	25 existing ordinary shares: one Consolidated Share
Total expected number of new ordinary shares in issue following the Capital Reorganisation	23,378,067
ISIN code for the new ordinary shares	IE00BD09HK61
SEDOL for the new ordinary shares	BD09HK6