

Karelian Diamond Resources plc
("Karelian" or "the Company")

Half-yearly results for the six months ended 30 November 2015

Karelian Diamond Resources plc (AIM: KDR; ESM: KDR.I), the diamond exploration company focused on Finland, announces its results for the six months ended 30 November 2015.

Highlights:

- **New kimberlite body discovered - presence of G10(D) garnets confirmed**
- **Exploration work elsewhere showing good results**

Commenting, Chairman, Professor Richard Conroy said:

"The Company has made excellent progress with its diamond exploration programme in Finland, especially at Rihivaara which is particularly exciting."

For further information please contact:

Karelian Diamond Resources plc

Professor Richard Conroy, Chairman

Tel: +353-1-661-8958

Sanlam Securities UK Limited (Nomad)

Virginia Bull/Simon Clements

Tel: +44-20-7628-2200

Beaufort Securities Plc (Broker)

Jon Bellis / Elliot Hance

Tel: +44-20-7382-8300

IBI Corporate Finance Limited (ESM Adviser)

Ger Heffernan/Jan Fitzell

Tel: +353-766-234-800

Lothbury Financial Services Limited

Michael Padley

Tel: +44-20-3290-0707

Hall Communications

Don Hall

Tel: +353-1-660-9377

Visit the website at: www.kareliandiamondresources.com

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 Karelian 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 KIM 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,

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) €
OPERATING EXPENSES	(109,942)	(122,808)	(124,788)
Finance income – bank interest receivable	129	1,721	2,937
Finance costs – interest on shareholder loan	-	-	-
LOSS BEFORE TAXATION	(109,813)	(121,087)	(121,551)
Taxation	-	-	-
LOSS FOR THE YEAR	(109,813)	(121,087)	(121,551)
Loss per ordinary share – basic and diluted	(€0.0004)	(€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) €
LOSS FOR PERIOD	(109,813)	(121,087)	(121,551)
Total income and expense recognised in other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD – ENTIRELY ATTRIBUTABLE TO EQUITYHOLDERS	(109,813)	(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) €
ASSETS			
Non-current Assets			
Intangible assets	8,298,968	7,609,850	8,029,132
Investment in Subsidiary	4	4	4
Property, plant and equipment	0	0	0
	8,298,972	7,609,854	8,029,136
Current Assets			
Trade and other receivables	508,676	307,309	402,122
Cash and cash equivalents	69,122	924,748	474,026
	577,798	1,232,057	876,148
Total Assets	8,876,770	8,841,911	8,905,284
EQUITY AND LIABILITIES			
Capital and Reserves			
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)
Total Equity	8,249,640	8,319,399	8,330,073
Non-current Liabilities			
Financial Liabilities	309,589	309,589	309,589
Total Non-current Liabilities	309,589	309,589	309,589
Current Liabilities			
Trade and other payables	317,542	212,923	265,622
Total Current Liabilities	317,542	212,923	265,622
Total Liabilities	627,130	522,512	575,211
Total Equity and Liabilities	8,876,770	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 €
At 1 June 2015	2,865,350	6,786,177	570,256	(1,891,710)	8,330,073
Share-based payments	-	-	26,480	-	26,480
Loss for the period	-	-	-	(106,913)	(106,913)
At 30 November 2015	2,865,350	6,786,177	596,736	(1,998,623)	8,249,640

	Share Capital €	Share Premium €	Share-based Payment Reserve €	Retained Earnings (Deficit) €	Total Equity €
At 1 June 2014	2,865,350	6,786,177	525,275	(1,770,159)	8,406,643
Share-based payments	-	-	33,843	-	33,843
Loss for the period	-	-	-	(121,087)	(121,087)
At 30 November 2014	2,865,350	6,786,177	559,118	(1,891,246)	8,319,399

**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) €
Cash flows from operating activities			
Cash (used in)/generated by operations	(156,665)	(930,224)	(971,118)
Tax paid	-	-	-
Net cash (used in)/generated by operating activities	(156,665)	(930,224)	(971,118)
Cash flows from investing activities			
Investment in exploration and evaluation	(248,368)	(251,790)	(662,834)
Net cash used in investing activities	(248,368)	(251,790)	(662,834)
Cash flows from financing activities			
Issue of share capital (net of expenses)	-	-	-
Advances/(Repayment) of shareholder loan	-	-	-
Bank interest received	129	1,721	2,937
Net cash generated from financing activities	129	1,721	2,937
(Decrease)/Increase in cash and cash equivalents	(404,904)	(1,180,293)	(1,631,015)
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.

4. Copy of half-yearly report

A copy of the half-yearly report 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.