



**Condensed Financial
Statements for the
six month period ended
30 November 2020**



Karelian Diamond Resources plc

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Karelian Diamond Resources plc

Chairman's statement

Dear Shareholder,

I have great pleasure in presenting the Company's half-yearly report for the six month period ended 30 November 2020. The Company made excellent progress during the period despite delays caused by the COVID-19 pandemic.

The process of granting a full Mining Permit to develop the Company's diamond deposit at Lahtojoki continued, as did its diamond exploration programme. The work regarding ground rental compensation by the National Land Survey of Finland ("NLSF") on behalf of TUKES (The Finnish Mining Authority) also continued and is now in its final stages. Under Finnish regulations a public meeting is required before the process can be completed. This meeting will be held when COVID-19 regulations allow. TUKES can then proceed to issue a full Mining Permit to the Company over the Lahtojoki diamond deposit.

The National Land Survey of Finland has in the meantime, during the half-year, formally granted rights of way to the Company over the entire Naviskangas private forest road, together with a side road, giving vehicular access to the deposit, the adjacent Lahtojoki South exploration permit area and the surrounding reservation in the Kaavi region of Finland. The granting of vehicular rights of way will facilitate the Company in its technical assessment of the deposit.

The Lahtojoki deposit is situated in a highly favourable location with excellent infrastructure including good road access and power distribution, combined with local technical and logistics availability, which significantly reduces the likely capital and operating costs of a mine as compared with the situation in regions of the world with less adequate infrastructure.

The Lahtojoki deposit also appears to have a significant percentage of coloured diamonds, in particular pink diamonds, which could add to its financial attractiveness especially with the closure of the main source of pink diamonds - the Argyle mine in Western Australia.

The Company's diamond exploration programme in Finland has led to the discovery of a green diamond in till in the Kuhmo region of Finland which lies close to the Russian border. The Company believes that the Kuhmo region could be part of a new kimberlite province.

The Company is also engaged in exploration in the vicinity of the Lahtojoki diamond deposit.

COVID-19 Update

The Company continued with measures in accordance with Government guidelines to protect the health, safety and well-being of its employees, contractors and partners in Finland and Ireland. COVID-19 continues to limit field and laboratory work given the restrictions on operations and movement. Directors and executives took a 50% reduction in fees and salaries during the period while technical and field staff took a 25% reduction in salaries.

Finance

The loss after taxation for the half year ended 30 November 2020 was €193,243 (for the six-month period ended 30 November 2019: €250,150) and the net assets as at 30 November 2020 were €9,393,315 (30 November 2019: €9,177,513).

During the half-year the Company raised a total of £420,000 through a placing of 10,500,000 ordinary shares at 4pence per ordinary share.

Directors and Staff

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

Karelian Diamond Resources plc

Chairman's statement (*continued*)

Future Outlook

I look forward to continued progress towards the development of a diamond mine at Lahtojoki and further exploration success.

Yours faithfully,



Professor Richard Conroy
Chairman

26 February 2021

Karelian Diamond Resources plc

Condensed income statement and condensed statement of comprehensive income for the six month period ended 30 November 2020

Condensed income statement

	Note	Six month period ended 30 November 2020 (Unaudited) €	Six month period ended 30 November 2019 (Unaudited) €	Year ended 31 May 2020 (Audited) €
Continuing operations				
Operating expenses		(193,243)	(250,150)	(446,710)
Loss before taxation		(193,243)	(250,150)	(446,710)
Income tax expense		-	-	-
Loss for the financial period/year		(193,243)	(250,150)	(446,710)
Loss per share				
Basic and diluted loss per share	2	(€0.0039)	(€0.0069)	(€0.0111)

Condensed statement of comprehensive income

		Six month period ended 30 November 2020 (Unaudited) €	Six month period ended 30 November 2019 (Unaudited) €	Year ended 31 May 2020 (Audited) €
Loss for the financial period/year		(193,243)	(250,150)	(446,710)
Income/expense recognised in other comprehensive income		-	-	-
Total comprehensive expense for the financial period/year		(193,243)	(250,150)	(446,710)

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

Karelian Diamond Resources plc

Condensed statement of financial position as at 30 November 2020

	Note	30 November 2020 (Unaudited) €	30 November 2019 (Unaudited) €	Year ended 31 May 2020 (Audited) €
Assets				
Non-current assets				
Intangible assets	3	10,710,335	10,282,861	10,523,570
Financial assets		4	4	4
Total non-current assets		10,710,339	10,282,865	10,523,574
Current assets				
Cash and cash equivalents		108,393	20,901	15,942
Other receivables		26,304	13,254	118,991
Total current assets		134,697	34,155	134,933
Total assets		10,845,036	10,317,020	10,658,507
Equity				
Capital and reserves				
Called up share capital		13,385	10,010	10,760
Called up deferred share capital		3,174,672	3,174,672	3,174,672
Share premium		9,613,965	9,005,750	9,150,829
Share based payments reserve		474,090	456,624	456,624
Retained losses		(3,882,797)	(3,469,543)	(3,666,104)
Total equity		9,393,315	9,177,513	9,126,781
Liabilities				
Non-current liabilities				
Convertible loan		154,222	-	148,945
Derivative liability		146	-	146
Trade and other payables: amounts falling due after more than one year		-	93,662	-
Total non-current liabilities		154,368	93,662	149,091
Current liabilities				
Trade and other payables: amounts falling due within one year		1,203,691	1,045,845	1,288,973
Related party loans	5	93,662	-	93,662
Total current liabilities		1,297,353	1,045,845	1,382,635
Total liabilities		1,451,721	1,139,507	1,531,726
Total equity and liabilities		10,845,036	10,317,020	10,658,507

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

Karelian Diamond Resources plc

Condensed statement of cash flows

for the six month period ended 30 November 2020

	Six month period ended 30 November 2020 (Unaudited) €	Six month period ended 30 November 2019 (Unaudited) €	Year ended 31 May 2020 (Audited) €
Cash flows from operating activities			
Loss for the financial period/year	(193,243)	(250,150)	(446,710)
<i>Adjustments for:</i>			
Expense recognised in income statement in respect of equity settled share based payments	17,466	-	-
Interest expense	5,277	-	3,262
(Decrease)/increase in trade and other payables	(154,744)	77,133	350,280
Decrease/(increase) in other receivables	92,687	89,735	(11,774)
Net cash used in operating activities	(232,557)	(83,282)	(104,942)
Cash flows from investing activities			
Investment in exploration and evaluation	(186,765)	(130,128)	(370,837)
Repayments from Conroy Gold and Natural Resources P.L.C	-	-	40,818
Payments to Conroy Gold and Natural Resources P.L.C	-	-	(45,046)
Net cash used in investing activities	(186,765)	(130,128)	(375,065)
Cash flows from financing activities			
Issue of share capital	465,761	238,862	320,266
Share issue costs	(23,450)	(978)	(979)
Shareholder's loan advances/(repayments)	-	7,000	145,829
Shareholder's loan converted	-	(71,425)	-
Advances from/(repayments to) from Conroy Gold and Natural Resources P.L.C.	69,462	30,019	-
Net cash provided by financing activities	511,773	203,478	465,116
Increase/(decrease) in cash and cash equivalents	92,451	(9,932)	(14,891)
Cash and cash equivalents at beginning of financial period/year	15,942	30,833	30,833
Cash and cash equivalents at end of financial period/year	108,393	20,901	15,942

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

Karelian Diamond Resources plc

Condensed statement of changes in equity for the six month period ended 30 November 2020

	Share capital (including deferred share capital)	Share premium	Share-based payment reserve	Retained losses	Total equity
	€	€	€	€	€
Balance at 1 June 2020	3,185,432	9,150,829	456,624	(3,666,104)	9,126,781
Issue of share capital	2,625	463,136	-	-	465,761
Share issue costs	-	-	-	(23,450)	(23,450)
Share based payments	-	-	17,466	-	17,466
Loss for the financial period	-	-	-	(193,243)	(193,243)
Balance at 30 November 2020	3,188,057	9,613,965	474,090	(3,882,797)	9,393,315
Balance at 1 June 2019	3,183,294	8,768,276	456,624	(3,218,415)	9,189,779
Issue of share capital	1,388	237,474	-	-	238,862
Share issue costs	-	-	-	(978)	(978)
Loss for the financial period	-	-	-	(250,150)	(250,150)
Balance at 30 November 2019	3,184,682	9,005,750	456,624	(3,469,543)	9,177,513

Share capital

The share capital comprises 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 Annual General Meeting held on 9 December 2016.

Authorised share capital:

The authorised share capital at 30 November 2020 comprised 7,301,301,041 ordinary shares of €0.00025 each, and 317,785,034 deferred shares of €0.00999 each* (€5,000,000), (30 November 2019: 7,301,301,041 ordinary shares of €0.00025 each, and 317,785,034 deferred shares of €0.00999 each* (€5,000,000)).

*Capital reorganisation:

Following approval at an Annual General Meeting ("AGM") 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 have no right to receive any dividend or other distribution, and 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 for admission of the Deferred Shares to trading on the AIM.

Consolidated shares:

On 21 December 2017, the Company passed a Special Resolution at the Company's AGM, that all of the ordinary shares of €0.00001 each in the capital of the Company, whether issued or unissued were consolidated into New Ordinary Shares of €0.00025 each in the capital of the Company ("consolidated shares") on the basis of one consolidated share for every 25 existing ordinary shares. Following the consolidation of the ordinary shares on 21 December 2017, the warrants in issue were consolidated into one consolidated warrant for every 25 existing warrants. The exercise price in relation to the warrants was also adjusted at this time (see Note 2).

Share issues during the period:

On 25 August 2020, the Company raised €465,761 (£420,000), (before expenses), through the issue of 10,500,000 ordinary shares of €0.00025 in the capital of the Company at a price of £0.04 per Subscription Share.

On 16 July 2019, the Company raised €111,377 (£100,00), (before expenses) through the issue of 2,500,000 ordinary shares of €0.00025 in the capital of the Company at a price of £0.04 per Subscription Share. On 8 October 2019, the Company raised €56,060 (£50,000), (before expenses) through the issue of 1,428,571 ordinary shares of €0.00025 in the capital of the Company at a price of £0.035 per Subscription Share. On 4 September 2019, the Director, Richard Conroy converted €71,425 (£65,000) of his loan into 1,625,000 shares of €0.00025 in the capital of the Company at a price of £0.04 per Subscription Share.

Share premium

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

Share based payment reserve

The share based payment reserve comprises of the fair value of all share options and warrants which have been charged over the vesting period, net of amounts relating to share options and warrants forfeited, exercised or lapsed during the period, which are reclassified to retained earnings.

Retained losses

This reserve represents the accumulated losses incurred by the Company up to the condensed statement of financial position date.

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

Karelian Diamond Resources plc

Notes

to and forming part of the condensed financial statements for the six month period ended 30 November 2020

1 Accounting policies

Reporting entity

Karelian Diamond Resources plc (the “Company”) is a company domiciled in Ireland.

Basis of preparation and statement of compliance

The condensed financial statements for the six months ended 30 November 2020 are unaudited.

The condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34: *Interim Financial Reporting*.

The condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 May 2020, which are available on the Company’s website - www.kareliandiamondresources.com. The accounting policies adopted in the presentation of the condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 May 2020.

The condensed financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value at each reporting date.

The condensed financial statements are presented in Euro (“€”). € is the functional currency of the Company.

The preparation of condensed financial statements requires the Board of Directors and management to use judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised and in any future financial periods affected. Details of critical judgements are disclosed in the accounting policies detailed in the annual financial statements.

The financial information presented herein does not amount to statutory financial statements that are required by Chapter 4 part 6 of the Companies Act 2014 to be annexed to the annual return of the Company. The statutory financial statements for the financial year ended 31 May 2020 were annexed to the annual return and filed with the Registrar of Companies. The audit report on those financial statements was unqualified.

These condensed financial statements were authorised for issue by the Board of Directors on 26 February 2021.

Going concern

The Company incurred a loss of €193,243 (30 November 2019: €250,150) for the six month period ended 30 November 2020. The Company had net current liabilities of €1,162,656 (30 November 2019: €1,011,690) at that date.

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 31 January 2022. As set out further in the Chairman’s statement, the Company expects to incur capital expenditure in 2021, 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 period, 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.

Statement of compliance

The Company’s financial statements have been prepared in accordance with IFRS as adopted by the European Union (“EU”).

Karelian Diamond Resources plc

Notes

to and forming part of the condensed financial statements for the six month period ended 30 November 2020 (*continued*)

1 Accounting policies (*continued*)

Recent accounting pronouncements

The following new standards, amendments to standards and interpretations adopted and endorsed by the EU have been issued but were not effective for the financial year ended 31 May 2020:

- Amendments to references to the Conceptual Framework in IFRS Standards – Effective date 1 January 2020;
- Amendments to IFRS 3 Business Combinations – Definition of a Business – Effective date 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Effective date 1 January 2020; and
- Amendment to IFRS 16 about providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification – Effective date 1 June 2020.

The adoption of the above amendments to standards and interpretations has been considered for the purposes of these interim financial statements and is not considered material.

The following new standard and amendments to standards have been issued by the International Accounting Standards Board but have not yet been endorsed by the EU, accordingly none of these standards have been applied in the current year. The Board of Directors are currently assessing whether these standards once endorsed by the EU will have any impact or a material impact on the financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture – Postponed indefinitely;
- IFRS 1 amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter) – Effective date 1 January 2022;
- IFRS 3 amendments updating a reference to the Conceptual Framework – Effective date 1 January 2022;
- IFRS 4 amendments regarding the expiry date of the deferral approach – Effective date 1 January 2023;
- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, and IAS 39 regarding replacement issues in the context of the IBOR reform – Effective date 1 January 2021;
- IFRS 9 amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the ‘10 per cent’ test for derecognition of financial liabilities) – Effective date 1 January 2022;
- IFRS 17: Insurance contracts – Effective date deferred to 1 January 2023;
- IAS 1 amendments regarding the classification of liabilities - Effective date 1 January 2023;
- IAS 16 amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use – Effective date 1 January 2022; and
- IAS 37 amendments regarding the costs to include when assessing whether a contract is onerous – Effective date 1 January 2022.

Karelian Diamond Resources plc

Notes

to and forming part of the condensed financial statements for the six month period ended 30 November 2020 (*continued*)

2 Loss per share

Basic earnings per share

	Six month period ended 30 November 2020 (Unaudited) €	<i>Six month period ended 30 November 2019 (Unaudited) €</i>	<i>Year ended 31 May 2020 (Audited) €</i>
Loss for the financial period/year attributable to equity holders of the Company	(193,243)	(250,150)	(446,710)
Number of ordinary shares for the purposes of earnings per share	49,042,750	40,042,749	40,243,826
Loss per ordinary share	(€0.0039)	(€0.0069)	(€0.0111)

Diluted earnings per share

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

3 Intangible assets

Exploration and evaluation assets

Cost

	30 November 2020 (Unaudited) €	<i>30 November 2019 (Unaudited) €</i>	<i>31 May 2020 (Audited) €</i>
<i>At 1 June</i>	10,523,570	10,152,733	10,152,733
Expenditure during the financial period/year			
• License and appraisal costs	56,195	2,978	208,378
• Other operating expenses	130,570	127,150	162,459
• Equity settled share based payments	-	-	-
<i>At 30 November/31 May</i>	10,710,335	10,282,861	10,523,570

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

Karelian Diamond Resources plc

Notes

to and forming part of the condensed financial statements for the six month period ended 30 November 2020 (*continued*)

4 Commitments and Contingencies

At 30 November 2020, there were no capital commitments or contingent liabilities (31 May 2020: No capital commitments or contingencies liabilities). Should the Company decide to develop the Lahtojoki project, an amount of €60,000 is payable by the Company to the vendors of the Lahtojoki mining concession.

5 Related party transactions

(a) Shareholders' loans

	30 November 2020 (Unaudited) €	30 November 2019 (Unaudited) €	31 May 2020 (Audited) €
Opening balance 1 June	93,662	158,087	158,087
Loan advances	-	7,000	7,000
Loan converted into shares	-	(71,425)	(71,425)
Closing balance 30 November/31 May	93,662	93,662	93,662

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).

(b) Apart from Directors' remuneration, and loans from shareholders, (who are also Directors), there here have been no contracts or arrangements entered into during the six month period in which a Director of the Company had a material interest.

(c) The Company shares accommodation with Conroy Gold and Natural Resources plc which have certain common Directors and shareholders. For the six month period ended 30 November 2020, Conroy Gold and Natural Resources plc incurred costs totalling €39,388 (30 November 2019: €54,034) on behalf of the Company. These costs were recharged to the Company by Conroy Gold and Natural Resources plc. At 30 November 2020 Conroy Gold and Natural Resources plc owed €50,381 to the Company. At 30 November 2019, Conroy Gold and Natural Resources plc was owed €29,812 by the Company.

6 Subsequent events

COVID-19 continues to limit field and laboratory work given the restrictions on operations and movement and other work also continues in relation to the Company's exploration and development programme.

There were no other material events subsequent to the reporting date which necessitate revision of the figures or disclosures included in the financial statements.

7 Approval of the condensed financial statements

These condensed financial statements were approved by the Board of Directors on 26 February 2021. A copy of the condensed financial statements will be available on the Company's website www.kareliandiamondresources.com on 26 February 2021.

