

Karelian Diamond Resources plc

Condensed Financial Statements for the six month period ended 30 November 2023



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 and condensed Financial Statements for the half year ended 30 November 2023.

The period was one of continued progress in relation to the development of the Lahtojoki diamond deposit in the Kuopio-Kaavi region of Finland. The proceedings to establish the mining concession are now at an advanced stage. A mining concession application has already been approved by TUKES (the Finnish mining authority). Following the order of TUKES, the National Land Survey has carried out the process in relation to ground rental compensation for the local landowners and is now finalising the appeals by two landowners regarding the amount of compensation and the mine boundary.

Land possession for the duration of the mine is a major step forward in the Company's proposed development of the Lahtojoki deposit. The diamond mining project covers 71 hectares (c.176 acres) with the actual kimberlite pipe having a surface area of 16 hectares (c.40 acres). The deposit, as well as containing high quality colourless gem diamonds, contains pink diamonds which are highly sought after and can command prices up to 20 times that of normal colourless gem diamonds.

I believe the development of a diamond mine at Lahtojoki will not only bring significant benefits to the Company, but also to the entire surrounding Kuopio-Kaavi area and, when in production, is expected to be the first diamond mine in Europe outside Russia.

The Company's exploration programme in the Kuhmo region of Finland continues to be highly encouraging up-ice of the Company's discovery of a green diamond. Results from the Company's basal till sampling suggest that two of the sample locations may be close to the source of the green diamond.

The Company's nickel, copper and platinum mineralisation exploration project in Northern Ireland also continues to be very encouraging.

Exercise of Warrants

During the period the Company received warrant exercise notices to subscribe for a total of 600,000 new ordinary shares of nominal value €0.00025 each at an exercise price of 2 pence per ordinary share, as announced by the Company on 11 October 2023.

Finance

During the period there was a fundraising of £250,000 (including £100,000 from Board members) at 2.5 pence per ordinary share.

Following admission of these new ordinary shares, in relation to the fundraising and exercised warrants, the Company had a total of 105,092,749 ordinary shares in issue.

The loss after taxation for the half year ended 30 November 2023 was €136,351 (30 November 2022: loss of €168,786) and the net assets as at 30 November 2023 were €9,832,149 (30 November 2022: €9,312,017).

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Chairman's statement

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.

Future Outlook

I look forward to the Company continuing to progress the planned development of the Lahtojoki diamond deposit and also to further success with its diamond exploration in Finland and the identification of a kimberlite pipe, as well as to further positive results from the exploration programme for nickel, copper and platinum group metals in Northern Ireland.

Yours faithfully,

Professor Richard Conroy
Chairman

28 February 2024

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Condensed income statement and condensed statement of comprehensive income for the six-month period ended 30 November 2023

Condensed income statement				
	Note	Six-month period ended 30 November 2023 (Unaudited) €	<i>Six-month period ended 30 November 2022 (Unaudited) €</i>	<i>Year ended 31 May 2023 (Audited) €</i>
Continuing operations				
Operating expenses		(255,240)	(165,140)	(297,386)
Movement in fair value of warrants	6	122,128	-	9,565
Operating loss		(133,112)	(165,140)	(287,821)
Interest expense		(3,239)	(3,646)	(3,646)
Loss before taxation		(136,351)	(168,786)	(291,467)
<i>Income tax expense</i>		-	-	-
Loss for the financial period/year		(136,351)	(168,786)	(291,467)
Loss per share				
Basic and diluted earnings/(loss) per share	2	(0.0014)	(0.0025)	(0.0038)
Condensed statement of comprehensive income				
		Six-month period ended 30 November 2023 (Unaudited) €	<i>Six-month period ended 30 November 2022 (Unaudited) €</i>	<i>Year ended 31 May 2023 (Audited) €</i>
Loss for the financial period/year		(136,351)	(168,786)	(291,467)
Income/(expense) recognised in other comprehensive income		-	-	-
Total comprehensive income/(expense) for the financial period/year		(136,351)	(168,786)	(291,467)

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

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Condensed statement of financial position as at 30 November 2023

	Note	30 November 2023 (Unaudited) €	30 November 2022 (Unaudited) €	Year ended 31 May 2023 (Audited) €
Assets				
Non-current assets				
Intangible assets	3	11,439,845	10,989,210	11,265,894
Financial assets		-	-	-
Total non-current assets		11,439,845	10,989,210	11,265,894
Current assets				
Cash and cash equivalents		215,025	90,177	116,038
Other receivables		57,834	36,034	79,003
Total current assets		272,859	126,211	195,041
Total assets		11,712,704	11,115,421	11,460,935
Equity				
Capital and reserves				
Called up share capital presented as equity		3,203,532	3,191,807	3,200,882
Share premium		10,726,620	9,959,181	10,546,844
Share based payments reserve		450,658	450,658	450,658
Retained losses		(4,548,661)	(4,289,629)	(4,412,310)
Total equity		9,832,149	9,312,017	9,786,074
Liabilities				
Non-current liabilities				
Convertible loan		122,483	-	119,246
Warrant liabilities	5	95,606	-	109,224
Derivative liability		10,304	146	10,304
Total non-current liabilities		228,393	146	238,774
Current liabilities				
Trade and other payables: amounts falling due within one year		1,652,162	1,632,822	1,436,087
Convertible Loan	6	-	170,436	-
Total current liabilities		1,652,162	1,803,258	1,436,087
Total liabilities		1,880,555	1,803,404	1,664,859
Total equity and liabilities		11,712,704	11,115,421	11,460,935

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

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Condensed statement of cash flows

for the six-month period ended 30 November 2023

	Six-month period ended 30 November 2023 (Unaudited) €	Six-month period ended 30 November 2022 (Unaudited) €	Year ended 31 May 2023 (Audited) €
Cash flows from operating activities			
(Loss) for the financial period/year	(136,351)	(168,786)	(291,467)
<i>Adjustments for:</i>			
Interest expenses	3,239	3,646	3,646
Movement in fair value of warrants	(122,128)	-	109,224
(Decrease)/increase in trade and other payables	200,825	191,584	1,361
Decrease/(increase) in other receivables	21,168	24,144	(18,825)
Advances from/(repayments to) Conroy Gold and Natural Resources P.L.C	15,250	-	119,246
Net cash provided by/(used in) operating activities	(17,997)	50,588	(76,815)
Cash flows from investing activities			
Investment in exploration and evaluation	(173,951)	(78,279)	(354,963)
Net cash used in investing activities	(173,951)	(78,279)	(354,963)
Cash flows from financing activities			
Issue of share capital	299,555	-	453,109
Share issue costs	(8,620)	-	(23,161)
Net cash provided by financing activities	290,935	-	429,948
Increase in cash and cash equivalents	98,987	(27,291)	(1,830)
Cash and cash equivalents at beginning of financial period/year	116,038	117,868	117,868
Cash and cash equivalents at end of financial period/year	215,025	90,177	116,038

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

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Condensed statement of changes in equity for the six-month period ended 30 November 2023

	Share capital (including deferred share capital)	Share premium	Share-based payment reserve	Retained losses	Total equity
	€	€	€	€	€
Balance at 1 June 2023	3,200,882	10,546,844	450,658	(4,412,310)	9,786,074
Issue of share capital	2,650	296,905	-	-	299,555
Share issue costs *	-	(8,620)	-	-	(8,620)
Warrant issue *	-	(108,509)	-	-	(108,509)
Loss for the financial period	-	-	-	(136,351)	(136,351)
Balance at 30 November 2023	3,203,532	10,726,620	450,658	(4,548,661)	9,832,109
Balance at 1 June 2022	3,191,807	9,959,181	450,658	(4,120,843)	9,480,803
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Share based payments	-	-	-	-	-
Loss for the financial period	-	-	-	(168,786)	(168,786)
Balance at 30 November 2022	3,191,807	9,959,181	450,658	(4,289,629)	9,312,017

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 2021 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 2020: 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 and Warrant issues during the period:

During the period ended 30 November 2023, the Company raised £150,000 through the issue of 6,000,000 ordinary shares of the company at a price of £0.025 per Subscription Share. In addition, Professor Richard Conroy and Dr Sorca Conroy both subscribed for 2,000,000 shares each in addition to this amount bringing the total amount raised to £250,000. As part of this fundraise, 10,000,000 warrants at £0.04 per share were issued, the value of which at date of issue was deducted from share premium in line with the Company's accounting policies. There were no share issues in the period ending 30 November 2022.

Share premium

The share premium comprises the excess consideration received in respect of share capital over the nominal value of the shares issued as adjusted for the costs of share issue in line with the Company's accounting policies.

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 2023

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 2023 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 2023, 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 2023.

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 2023 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 28 February 2024.

Going concern

The Company recorded a loss of €136,351 for the six-month period ended 30 November 2023 (30 November 2022: loss of €168,786). The Company had net current liabilities of €1,379,302 at that date (30 November 2022: €1,677,047).

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 28 February 2025. As set out further in the Chairman’s statement, the Company expects to incur capital expenditure in 2024, consistent with its strategy as an exploration company. In reviewing the proposed work programme for exploration and evaluation assets, 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”).

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to and forming part of the condensed financial statements for the six-month period ended 30 November 2023 (*continued*)

1 Accounting policies (*continued*)

Recent accounting pronouncements

The following new standards 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 is currently assessing whether these standards once endorsed by the EU will have any impact on the financial statements of the Company.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture – Postponed indefinitely;
- Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback – Effective date 1 January 2024; and
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current and classification of liabilities as current or non-current – Effective date 1 January 2024.

2 Profit/(loss) per share

Basic earnings per share

	Six-month period ended 30 November 2023 (Unaudited) €	Six-month period ended 30 November 2022 (Unaudited) €	Year ended 31 May 2023 (Audited) €
Profit/(loss) for the financial period/year attributable to equity holders of the Company	(136,351)	(168,786)	(291,467)
Number of ordinary shares for the purposes of earnings per share	95,096,311	68,542,749	76,460,146
Basic earnings/(loss) per ordinary share	(€0.0014)	(€0.0025)	(€0.0038)

Diluted earnings/(loss) per share

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

3 Intangible assets

Exploration and evaluation assets

Cost

	30 November 2023 (Unaudited) €	30 November 2022 (Unaudited) €	31 May 2023 (Audited) €
<i>At 1 June</i>	11,265,894	10,910,931	10,910,931
Expenditure during the financial period/year			
• License and appraisal costs	93,258	18,510	269,314
• Other operating expenses	80,693	59,769	85,649
<i>At 30 November/31 May</i>	11,439,845	10,989,210	11,265,894

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.

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Notes

to and forming part of the condensed financial statements for the six-month period ended 30 November 2023 (*continued*)

3 Intangible assets (*continued*)

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.

4 Commitments and Contingencies

At 30 November 2023, there were no capital commitments or contingent liabilities (31 May 2023: No capital commitments or contingencies liabilities). Should the Company decide to develop the Lahtojoki project, an amount of €40,000 is payable by the Company to the vendors of the Lahtojoki mining concession.

5 Convertible Loan

On 26 May 2023, the Company entered into a convertible loan note agreement for a total amount of €129,550 (£112,500) with Conroy Gold and Natural Resources P.L.C. which is both a shareholder in the company and has a number of other connections as noted in Note 7. The convertible loan note is unsecured, has a term of 18 months and attracts interest at a rate of 5% per annum which is payable on the maturity or conversion of the convertible loan. The conversion price is 5 pence. The shareholder has the right to seek conversion of the principal amount outstanding on the convertible loan note and all interest accrued at any time during the term.

The amount of €10,304 relates to derivative liability attached to the total convertible loan note at date of issue above and the net amount of €119,246 was recorded as the value of the convertible loan at 31 May 2023. The value of the convertible loan including interest at 30 November 2023 was €122,483 and is classified as a non-current liability.

6 Warrant liabilities

The Company holds Sterling based warrants. The Company estimates the fair value of the sterling-based warrants using the Binomial Lattice Model. The determination of the fair value of the warrants is affected by the Company's share price along with other assumptions.

The fair value of the warrants in issue as at 30 November 2023 was €95,606. 10,000,000 warrants at a price of £0.04 were issued during the period and 600,000 warrants were exercised during the period at a price of £0.02.

7 Related party transactions

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

(b) The Company shares accommodation and staff with Conroy Gold and Natural Resources plc which have certain common Directors and shareholders. For the six-month period ended 30 November 2023, Conroy Gold and Natural Resources plc incurred costs totalling €49,596 (30 November 2022: €34,846) on behalf of the Company. These costs were recharged to the Company by Conroy Gold and Natural Resources plc. At 30 November 2023, Conroy Gold and Natural Resources plc was owed €69,870 (30 November 2022: €234,651) by the Company.

(c) In May 2023, Conroy Gold and Natural Resources P.L.C. converted amounts owing to it equivalent to €143,943 (£125,000) into ordinary equity in the Company and a further €129,550 (£112,500) into a convertible loan instrument as detailed in Note 5.

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to and forming part of the condensed financial statements for the six-month period ended 30 November 2023 (*continued*)

8 Subsequent events

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

9 Approval of the condensed financial statements

These condensed financial statements were approved by the Board of Directors on 28 February 2024. A copy of the condensed financial statements will be available on the Company's website www.kareliandiamondresources.com on 29 February 2024.