KARELIAN DIAMOND RESOURCES

Annual Report and Financial Statements 2015

Contents

Chairman's Statement 2

Company Information 5

Report of the Directors 6

Directors' Responsibilities Statement 9

Corporate Governance Statement 10

Independent Auditors' Report 11

Statement of Financial Position 13

Income Statement 14

Statement of Comprehensive Income 14

Statement of Changes in Equity 15

Cash Flow Statement 16

Notes to the Financial Statements 17

Chairman's Statement

Professor Richard Conroy
Chairman

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

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

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

Discovery of New Kimberlite Body

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

Laboratory results from a sample collected from the Rihiivaara target in the area showed high concentrations of over 100 KIMs. The results included 48 purple to red peridotitic garnets (G9/10 Cr-pyrope) and 46 orange mantle garnets between 0.25 and 0.5mm in size, plus 5 purple to red peridotitic garnets (G9/10 Cr-pyrope) and 3 orange mantle garnets in the 0.5 to 1.0mm size range. G9/10 garnets are considered significant as they are formed at the same temperatures and pressures as diamonds.

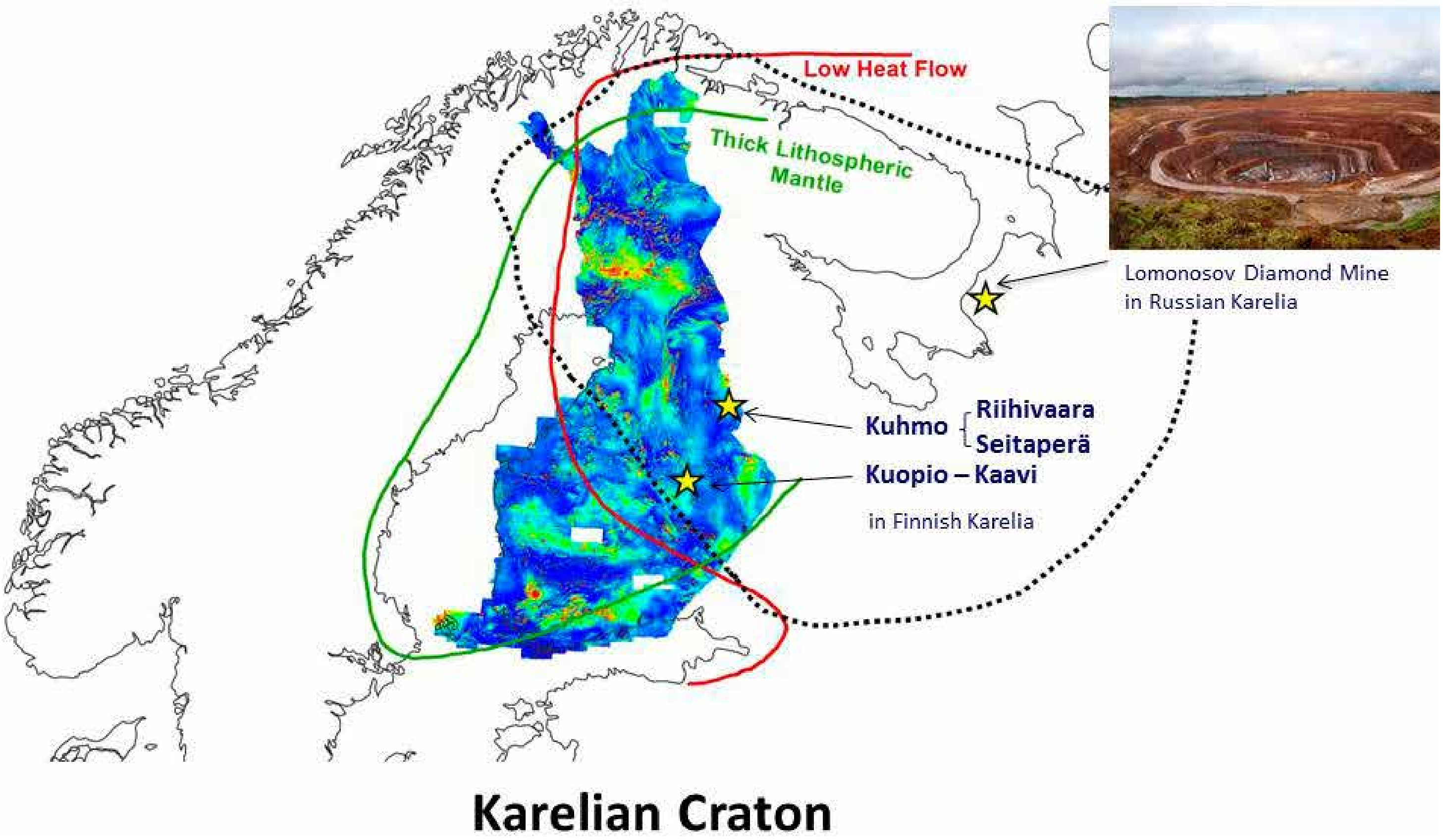
Orange mantle garnets can include eclogitic pyrope-almandine garnets (G3) and if eclogite mantle materials are present it is significant, as they may be associated with richer diamond grades.

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

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

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

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



temperature and pressure is suitable for the formation of diamonds, is particularly encouraging.

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

Exploration Elsewhere in Finland

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

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

Agreement with Rio Tinto

Your Company has a Confidentiality Agreement (with Back in Rights) with Rio Tinto Mining and Exploration Limited ("Rio Tinto"). I am delighted that this agreement with Rio Tinto has been extended to 2020.

Under the agreement, Rio Tinto discloses to Karelian confidential information and physical geological samples relating to exploration in Finland for the purpose of Karelian considering that information in relation to Karelian's potential and existing exploration programmes in Finland.

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

Chairman's Statement *continued*

Discovery Pit

On Site in Finland

New Kimberlite Discovery at Riihivaara

Finance

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

As in previous years, I have supported the working capital requirements of the Company and the balance of the loans due to me at the period end was €309,589. The loans have been made on normal commercial terms.

The other Directors consider, having consulted with the Company's Nominated Adviser and the Company's ESM Adviser that the terms of these loans are fair and reasonable in so far as the Company's shareholders are concerned.

Auditors

I would like to take this opportunity to thank the partners and staff of Deloitte for their services to your Company during the course of the financial year.

Directors, Consultants and Staff

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

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

Future Outlook

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

Richard Conroy

Professor Richard Conroy
Chairman

Date: 20 November 2015

Company Information

Directors

Professor Richard Conroy
*Chairman**

Seamus P. FitzPatrick
Non-Executive Director+§

Roger I. Chaplin
Non-Executive Director§

Dr. Sorċa C. Conroy
Non-Executive Director

Maureen T.A. Jones
*Managing Director**

James P. Jones FCA
*Finance Director**

Louis J. Maguire
*Non-Executive Director**+§

* Member of the Executive Committee
\+ Member of the Remuneration Committee
§ Member of the Audit Committee

Company Secretary and Registered Office

James P. Jones FCA
9 Merrion Square North
Dublin 2 EO2 WN50

Statutory Audit Firm

Deloitte Chartered Accountants
Deloitte House
Charlotte Quay
Limerick

Registrars

Capita Asset Services Shareholder Solutions (Ireland)
2 Grand Canal Square
Dublin 2

www.capitaassetservices.ie

Nominated Adviser

Sanlam Securities UK Limited
10 King William Street
London, EC4N 7TW
UK

Principal Banker

AIB
1-4 Lower Baggot Street
Dublin 2

ESM Adviser

IBI Corporate Finance
2 Burlington Plaza
Burlington Road
Dublin 2

Broker

Beaufort Securities Limited
131 Finsbury Pavement
London EC2A 1NT
U.K.

Legal Advisers

William Fry Solicitors
2 Grand Canal Square
Dublin 2

Roschier-Holmberg
Keskuskatu 7A
00 100 Helsinki
Finland

Head Office

Karelian Diamond Resources plc
9 Merrion Square North
Dublin 2 EO2 WN50

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For further information
visit the Company's website at:

www.kareliandiamondresources.com

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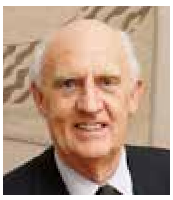
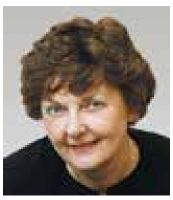


Professor Richard Conroy
Chairman

Seamus P. FitzPatrick
Non-Executive Director

Roger I. Chaplin
Non-Executive Director

Dr. Sorċa Conroy
Non-Executive Director



Maureen T.A. Jones
Managing Director

James P. Jones
Finance Director

Louis J. Maguire
Non-Executive Director

Report of the Directors

The Directors present their annual report, together with the audited financial statements of Karelian Diamond Resources plc for the financial year ended 31 May 2015.

Principal Activities and Business Review

The company is a London Stock Exchange AIM-listed and an Irish Stock Exchange ESM-listed natural resource company incorporated in Ireland, which is focused on the discovery of potential world-class diamond deposits in Finland. The company is presently exploring for diamonds and evaluating an existing diamond prospect (diamondiferous kimberlite pipe) in the Karelian Craton of Finland. The company has a number of projects at various stages of development throughout the diamond-prospective Karelian Craton.

Future Development of the Business

It is the intention of the directors to continue to develop the activities of the company concentrating particularly on diamonds. Further strategic opportunities in mineral resources, both in Finland and elsewhere, will be sought by the company.

Risks and Uncertainties

The company's activities are directed towards the discovery, evaluation and development of diamond and other mineral deposits. Exploration for and development of mineral deposits is speculative. Whilst the rewards can be substantial, there is no guarantee that exploration on the company's properties will lead to the discovery of commercially extractable mineral deposits. The future net asset value is therefore, inter alia, dependent on the success or otherwise of the company's exploration programmes. Whether a mineral deposit will be commercially viable in a mining operation depends on a number of factors, such as the grade of the deposit, prices of the commodities being exploited, currency fluctuations, proximity to infrastructure, financing costs and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, import and export regulations and environmental protection.

Key Performance Indicator

Currently the company's main KPI is in relation to the estimated resource potential on discovery and development of economic deposits of diamonds in Finland. In addition, the company reviews expenditure incurred on exploration projects together with an on-going review of operating costs.

Results for the Year and State of Affairs at 31 May 2015

The statement of financial position as at 31 May 2015 and the income statement for the financial year are set out on pages 13 and 14 respectively. The company recorded a loss of €121,551 (2014: €198,891) for the financial year ended 31 May 2015 and has net current assets of €610,526 (2014: €1,386,835) at that date.

The company has confirmed to Conroy Gold and Natural Resources plc (a company with common directors) that it will not seek repayment of amounts owed by Conroy Gold and Natural Resources plc at 31 May 2015, noting that it would not call in amounts owing of €370,720 for a period of at least 12 months from the date of approval of the financial statements of the accounts of Conroy Gold and Natural Resources plc.

Post Statement Of Financial Position Events

For important events which have occurred since the financial year end, refer to Note 21 to the financial statements.

Directors

The Directors who served during the year are as follows:

Prof. Richard Conroy, Miss. Maureen Jones, Mr. James Jones, Mr. Louis Maguire, Mr. Séamus Fitzpatrick, Mr. Roger Chaplin, & Dr. Sorċa Conroy (appointed 21 November 2014).

In accordance with the company's Articles of Association, Mr James Jones and Mr Séamus FitzPatrick will retire by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting. Mr. Roger Chaplin is also retiring, and is not seeking re-election Dr. Sorċa Conroy was appointed as a director of the company on 21 November 2014.

Details of Directors

Professor Richard Conroy, Chairman of the Board, has been involved in natural resources for many years. He established Trans-International Oil, which was primarily involved in Irish offshore oil exploration, and initiated the Deminex Consortium (which included Deminex, Mobil, Amoco and DSM). Trans-International Oil was merged with Aran Energy in 1979 (which was later acquired by Statoil).

Professor Conroy founded Conroy Petroleum and Natural Resources which (as well as being involved in oil production and exploration) in 1986 discovered the Galmoy zinc deposit in Ireland. Conroy Petroleum was also a founding member of the Stone Boy consortium, an exploration group which discovered the Pogo gold deposit in Alaska, now a major producing gold mine. Conroy Petroleum acquired Atlantic Resources in 1992 and was renamed ARCON International Resources.

Professor Conroy was Chairman and Chief Executive of Conroy Petroleum/ARCON from 1980 to 1994 before founding Conroy Gold and Natural Resources Plc in 1995. An Emeritus Professor of Physiology in the Royal College of Surgeons in Ireland, Professor Conroy served in the Irish Parliament as a Member of the Senate and was at various times front bench spokesman for the government party in the Upper House on Energy, Industry and Commerce; Foreign Affairs; and Northern Ireland.

Miss Maureen Jones, Managing Director, has over 20 years' experience at senior level in the natural resource sector. She has been Managing Director of Conroy Gold since 1998 and was a founding director of the company. She joined Conroy Petroleum and Natural Resources Plc on its foundation in 1980 and was a director and board member of Conroy Petroleum/ARCON from 1986 to 1994. Ms. Jones has a medical background and specialised in the radiographic aspects of Nuclear Medicine before becoming a manager with International Medical Corporation in 1977.

Mr. James Jones, Finance Director, has been associated with the natural resources industry for many years. A Chartered Accountant, he was finance director of Conroy Petroleum and Natural Resources/ARCON from its formation until 1994. He was a founding director of Conroy Gold and Natural Resources and has served as Finance Director and secretary of the company since its inception. He joined Conroy Petroleum and Natural Resources Plc on its foundation in 1980 and was finance director of Conroy Petroleum/ARCON from 1980 to 1994.

Mr. Séamus Fitzpatrick, Non-executive Director, has worked in both corporate finance and private equity in London and New York with Morgan Stanley, JP Morgan and Banker's Trust. In 1999 he co-founded CapVest of which he is Managing Partner (which has raised funds in excess of £2.0 billion). He is Chairman of the Mater Private Hospital and of Valeo Foods and is a board member of Scandza A.S. He is also a director and Deputy Chairman of Conroy Gold and Natural Resources Plc.

Mr. Roger Chaplin, Non-executive Director, has over twenty five years' experience in mining analysis, gained initially in a major South African mining house and latterly in the City of London. He was Senior Vice President and Mining Analyst at T. Hoare and Co., which later became Canaccord Capital (Europe) Limited in London from 1993 to 2003. Since 2003 he has worked as an independent analyst and as Head of Research for M. Horn & Co. He gained a particular interest in diamonds through following the development of the Canadian diamond mines over the past fifteen years.

Mr. Louis Maguire, Non-executive Director, is an Auctioneer by profession and land valuation expert with particular expertise in the purchase of mineral rights and in land acquisition for mining. He is a founding director of the Company. He is also a director of Conroy Gold and Natural Resources plc.

Dr. Sorċa Conroy, Non-executive Director, was recruited to ING Bank in 2006 and whilst there was ranked second in the Extel Survey for Biotechnology Specialist Sales. She had previously been specialist sales for life sciences and institutional equities at Canaccord Adams (2005-2006), where she ranked fourth in the 2006 Extel survey and Hoodless Brennan (2004-2005). A medical graduate of The Royal College of Surgeons in Ireland, she held a number of clinical positions in between her graduation in 1995 and joining Hoodless Brennan.

Directors' and Secretary's Shareholdings and Other Interests

The interests of the Directors and Secretary, all of which were beneficially held, in the ordinary share capital and warrants of the company at 31 May 2015 and 1 June 2014 were as follows:

	At 31 May 2015		At 1 June 2014	
	Ordinary shares of €0.01 each	Warrants	Ordinary shares of €0.01 each	Warrants
R.T.W.L. Conroy	76,806,168*	8,354,382	76,806,168*	8,354,382
M.T.A. Jones	6,110,875	4,941,275	6,110,875	4,941,275
J.P. Jones	3,814,873	3,104,689	3,814,873	3,104,689
R. I. Chaplin	20,000	271,262	20,000	271,262
S.P. Fitzpatrick	922,426	432,201	922,426	432,201
L.J. Maguire	51,668	432,201	51,668	432,201
S.C. Conroy	470,000	-	470,000	-

* Of the 76,806,168 (2014: 76,806,168) Ordinary Shares beneficially held by Professor Richard Conroy, 30,815,030 (2014: 30,815,030) are held by Conroy plc a company in which Professor Conroy has a controlling interest.

Details of warrants, all of which are exercisable currently, are as follows:

Directors	At 31 May 2015	Granted During Year	At 1 June 2014	Price	Expiry Date
R.T.W.L. Conroy	1,000,000	–	1,000,000	5p stg	1 September 2015
R.T.W.L. Conroy	5,521,049	–	5,521,049	€0.10	16 November 2022
M.T.A. Jones	750,000	–	750,000	5p stg	1 September 2015
M.T.A. Jones	4,191,275	–	4,191,275	€0.10	16 November 2022
J.P. Jones	500,000	–	500,000	5p stg	1 September 2015
J.P. Jones	2,604,689	–	2,604,689	€0.10	16 November 2022
R.I. Chaplin	200,000	–	200,000	5p stg	1 September 2015
R.I. Chaplin	71,262	–	71,262	€0.10	16 November 2022
S.P. Fitzpatrick	200,000	–	200,000	5p stg	1 September 2015
S.P. Fitzpatrick	232,201	–	232,201	€0.10	16 November 2022
L.J. Maguire	200,000	–	200,000	5p stg	1 September 2015
L.J. Maguire	232,201	–	232,201	€0.10	16 November 2022

Report of the Directors *continued*

Except as disclosed above, neither the Directors nor their families had any beneficial interest in the share capital of the company. Apart from loans from a shareholder, who is also a director (see Note 14 to the financial statements), there have been no contracts or arrangements during the financial year in which a director of the company was materially interested and which were significant in relation to the company's business.

Substantial Shareholdings

So far as the Board is aware, no person or company, other than the Directors' interests disclosed and the shareholder's listed below, held 3% or more of the issued ordinary share capital of the company at 31 May 2015.

Name	Number of ordinary shares	%
R.T.W.L. Conroy	76,806,168	26.81

Political Donations

No political donations were made during the financial year.

Accounting Records

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act, 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at 9 Merrion Square North, Dublin 2.

Auditor

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383 (2) of the Companies Act 2014.

Signed on behalf of the Board

Richard Conroy
Director

Maureen Jones
Director

Date: 20 November 2015

Directors' Responsibilities Statement

The directors' are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act, 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act, 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act, 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Corporate Governance Statement

Introduction

The Board of Directors is accountable to the Company's shareholders for good corporate governance.

Board of Directors

The board supports standards in corporate governance and endeavours to implement such standards constructively and in a sensible and pragmatic fashion with the objective of enhancing and protecting shareholder value.

Regular board meetings are scheduled to take place throughout the financial year. During the financial year five meetings were held. All major policies are approved by the board. All directors are subject to re-election. A Directors' Responsibilities Statement in relation to the annual financial statements is set out at page 9.

Remuneration Committee

The remuneration committee comprises Mr. Louis Maguire and Mr. Séamus Fitzpatrick. It is responsible for making recommendations to the board on the company's executive remuneration. The committee determines any contract terms, remuneration and other benefits, including share options, for each of the executive directors. The board itself determines the remuneration of the non-executive directors.

Audit Committee

The committee's terms of reference have been approved by the board. The audit committee comprises Mr. Louis Maguire, Mr. Roger Chaplin and Mr. Séamus Fitzpatrick. The audit committee reviews the interim and annual financial statements before they are presented to the board, focusing in particular on accounting policies and areas of management judgement and estimation. The committee is responsible for monitoring the controls which are in force to ensure the information reported to the shareholders is accurate and complete. The committee considers internal control issues and contributes to the board's review of the effectiveness of the company's internal control and risk management systems. It also considers the need for an internal audit function, which it believes is not required at present because of the company's limited operations. The members of the committee have agreed to make themselves available should any member of staff wish to make representations to them about the conduct of the affairs of the company.

The committee advises the board on the appointment of external auditors and on their remuneration and discusses the nature and scope of the audit with the external auditors. It meets formally at least once a financial year with the company's external auditors. An analysis of the fees payable to the external audit firm in respect of audit services during the financial year is set out in Note 5 to the financial statements.

The audit committee also undertakes a review of any non-audit services provided to the company; and a discussion with the auditors of all relationships with the company and any other parties that could affect independence or the perception of independence.

Executive Committee

The Executive Committee comprises of Professor Richard Conroy, Miss Maureen Jones, Mr. James P. Jones and Mr. Louis Maguire. Its purpose is to support the Managing Director in carrying out the duties delegated to her by the board. It also ensures that regular financial reports are presented to the board, that effective internal controls are in place and functioning, and that there is an effective risk management process in operation throughout the company.

Internal Control

The board of directors is responsible for, and annually reviews, the company's systems of internal control, financial and otherwise. Such systems provide reasonable but not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable and not absolute assurance with respect to the preparation of financial information and the safeguarding of assets.

Communication with Shareholders

Extensive information about the company and its activities is given in the annual report and financial statements. Further information is available on the company's website, www.kareliandiamondresources.com, which is promptly updated whenever announcements or press releases are made.

The company encourages communication with private shareholders throughout the financial year and welcomes their participation at general meetings. All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and financial statements. The chairmen of the Board's committees will also be available at the Annual General Meeting. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, directors and management to meet and exchange views.

Independent Auditors' Report

To the Members of Karelian Diamond Resources plc

We have audited the financial statements of Karelian Diamond Resources plc for the financial year ended 31 May 2015 which comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 May 2015 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Emphasis of Matter – Realisation of Intangible Assets and Going Concern

In forming our opinion on the financial statements, which is not modified, we draw your attention to:

- The disclosures made in Note 2 and Note 9 to the financial statements concerning the realisation of exploration and evaluation assets included as intangible assets in the Statement of Financial Position. The realisation of intangible assets amounting to €8,029,132 at the financial year end 31 May 2015, is dependent on the further successful development and ultimate production of the mineral reserves and the availability of adequate finance to bring the reserves to economic maturity and profitability. The financial statements do not include any adjustments in relation to these uncertainties and the ultimate outcome cannot at present be determined.
- The disclosure made in Note 2 to the financial statements which indicates that the company incurred a loss of €121,551 during the financial year ended 31 May 2015. The directors have reviewed the projected cash flows for the company and on the basis of the projected cash flow information, the prospects for raising additional equity as required and taking into account the high potential of the acreage under license, they consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying amount, or classification of assets and liabilities that would be necessary if the company was unable to continue as a going concern.

Independent Auditors' Report *continued*

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Gerard Casey

For and on behalf of Deloitte
Chartered Accountants and
Statutory Audit Firm,
Limerick

Date: 20 November 2015

Statement of Financial Position

At 31 May 2015

	Note	2015 €	2014 €
ASSETS			
Non-current Assets			
Intangible assets	*9*	**8,029,132**	7,329,228
Financial assets	*10*	**4**	4
Property, plant and equipment	*11*	**–**	165
		8,029,136	7,329,397
Current Assets			
Trade and other receivables	*12*	**402,122**	55,779
Cash and cash equivalents		**474,026**	2,105,041
		876,148	2,160,820
Total Assets		**8,905,284**	9,490,217
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up share capital presented as equity	*15*	**2,865,350**	2,865,350
Share premium	*15*	**6,786,177**	6,786,177
Share based payments reserve		**570,256**	525,275
Retained deficits		**(1,891,710)**	(1,770,159)
Total Equity		**8,330,073**	8,406,643
Non-current Liabilities			
Trade and other payables: Amounts falling due after more than one year	*14*	**309,589**	309,589
Total non-current liabilities		**309,589**	309,589
Current Liabilities			
Trade and other payables: Amounts falling due within one year	*13*	**265,622**	773,985
Total Current Liabilities		**265,622**	773,985
Total Liabilities		**575,211**	1,083,574
Total Equity and Liabilities		**8,905,284**	9,490,217

The financial statements were approved by the Board of Directors on 20 November 2015 and authorised for issue on 20 November 2015.
They were signed on its behalf by:

Richard Conroy
Director

Maureen Jones
Director

Income Statement

For the financial year ended 31 May 2015

	Note	2015 €	2014 €
OPERATING EXPENSES	4	**(124,488)**	(191,139)
Finance income – bank interest receivable		**2,937**	699
Finance costs – interest on shareholder loan		**–**	(8,451)
LOSS BEFORE TAXATION	5	**(121,551)**	(198,891)
Income tax expense	7	**–**	–
LOSS RETAINED FOR THE FINANCIAL YEAR		**(121,551)**	(198,891)
Basic and diluted loss per share	8	**(€0.0004)**	(€0.0013)

Statement of Comprehensive Income

For the financial year ended 31 May 2015

	2015 €	2014 €
LOSS FOR THE FINANCIAL YEAR	**(121,551)**	(198,891)
Total income and expense recognised in other comprehensive income	**–**	–
TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR	**(121,551)**	(198,891)

Statement of Changes in Equity

For the financial year ended 31 May 2015

	Share Capital €	Share Premium €	Share-based Payment Reserve €	Retained Deficits €	Total Equity €
At 1 June 2013	922,083	4,621,158	450,157	(1,571,268)	4,422,130
Share issues	1,943,267	2,417,230	–	–	4,360,497
Share issue expenses	–	(252,211)	–	–	(252,211)
Share-based payments	–	–	75,118	–	75,118
Loss for the financial year	–	–	–	(198,891)	(198,891)
At 31 May 2014	**2,865,350**	**6,786,177**	**525,275**	**(1,770,159)**	**8,406,643**
At 1 June 2014	2,865,350	6,786,177	525,275	(1,770,159)	8,406,643
Share-based payments	–	–	44,981	–	44,981
Loss for the financial year	–	–	–	(121,551)	(121,551)
At 31 May 2015	**2,865,350**	**6,786,177**	**570,256**	**(1,891,710)**	**8,330,073**

Share Capital

The share capital comprises of the nominal value share capital issued for cash and non-cash consideration.

Share Premium

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

This reserve represents the accumulated losses absorbed by the company to the Statement of Financial Position date.

Cash Flow Statement

For the year ended 31 May 2015

	Note	2015 €	2014 €
Cash flows from operating activities			
Cash used in operations	16	**(971,118)**	(147,489)
Net cash used in operating activities		**(971,118)**	(147,489)
Cash flows from investing activities			
Investment in exploration and evaluation		**(662,834)**	(432,548)
Net cash used in investing activities		**(662,834)**	(432,548)
Cash flows from financing activities			
Issue of share capital (net of share issue expenses)		**–**	3,025,788
Repayment of shareholder loans		**–**	(343,915)
Interest received		**2,937**	699
Net cash generated from financing activities		**2,937**	2,682,572
(Decrease)/increase in cash and cash equivalents		**(1,631,015)**	2,102,535
Cash and cash equivalents at beginning of financial year		**2,105,041**	2,506
Cash and cash equivalents at end of financial year		**474,026**	2,105,041

Notes to the Financial Statements

For the year ended 31 May 2015

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations adopted by the International Accounting Standards Board. These financial statements have also been prepared in accordance with the Companies Acts, 2014. The financial statements are prepared under the historical cost convention.

Adoption of New and Revised Standards

Standards and Interpretations not affecting the reported results nor the financial position

In the current financial year, the following new and revised Standards have been adopted. Their adoption has not had any material impact on the amounts reported in these financial statements but they may affect the accounting for future transactions and arrangements. The adoption of these Standards has not led to any changes in the company's accounting policies.

Amendments to IAS 39 (June 2013) *Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods* beginning on or after 1 January 2014).

Amendments to IAS 36 (May 2013) *Recoverable Amount Disclosures for Non-Financial Assets* (effective for accounting periods beginning on or after 1 January 2014).

Amendments to IFRS 10, IFRS 12 and IAS 27 (October 2012) *Investment Entities* (effective for accounting periods beginning on or after 1 January 2014).

Amendments to IAS 32 (December 2011) *Offsetting Financial Assets and Financial Liabilities* (effective for accounting periods beginning on or after 1 January 2014).

IFRS 12 *Disclosure of Interests in Other Entities* (effective for accounting periods beginning on or after 1 January 2014).

IFRS 11 *Joint Arrangements* (effective for accounting periods beginning on or after 1 January 2014).

IFRS 10 *Consolidated Financial Statements* (effective for accounting periods beginning on or after 1 January 2014).

IAS 28 (revised May 2011) *Investments in Associates and Joint Ventures* (effective for accounting periods beginning on or after 1 January 2014).

IAS 27 (revised May 2011) *Separate Financial Statements* (effective for accounting periods beginning on or after 1 January 2014).

Standards and Interpretations in Issue Not Yet Effective

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Company in advance of their effective dates, the following Standards were in issue but not yet effective and in some cases had not been adopted by the European Union:

Amendments to IFRS 10, IFRS 12 and IAS 28 (December 2015) *Investment Entities: Applying the consolidation exception* (effective date to be confirmed)

Amendments to IAS 27 (August 2014) *Equity Method in Separate Financial Statements* (effective date to be confirmed)

IFRS 9 *Financial Instruments* (effective date to be confirmed)

Amendments to IAS 16 and IAS 41 (June 2014) *Agriculture: Bearer Plants* (effective date to be confirmed)

IFRS 15 *Revenue from Contracts with Customers* (effective date to be confirmed)

Amendments to IFRS 10 and IAS 28 (September 2014) *Sale or contribution of assets between an investor and its Associate or Joint Venture* (effective date to be confirmed)

Amendments to IAS1 (December 2015) *Disclosure Initiative* (effective date to be confirmed)

Amendments to IAS 16 and IAS 38 (May 2014) *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective date to be confirmed)

Amendments to IFRS 11 (May 2014) *Accounting for Acquisitions of Interests in Joint Operations* (effective date to be confirmed)

IFRS 14 *Regulatory Deferral Accounts* (effective date to be confirmed)

Amendments to IAS 19 (November 2013) *Defined Benefit Plans: Employee Contributions* (1 February 2015)

IFRIC 21 *Levies* (effective for accounting periods beginning on or after 17 June 2014)

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

Annual Improvements to IFRSs: 2012-2014 Cycle (September 2014): *Annual Improvements to IFRSs: 2012-2014 Cycle* (effective date to be confirmed)

Annual Improvements to IFRSs: 2011-2013 Cycle (December 2013): *Annual Improvements to IFRSs: 2011-2013 Cycle* (1 January 2015)

Annual Improvements to IFRSs: 2010-2012 Cycle (December 2013): *Annual Improvements to IFRSs: 2010-2012 Cycle* (1 February 2015)

A. Intangible Assets

The company accounts for mineral expenditure in accordance with International Financial Reporting Standard 6 – Exploration For and Evaluation of Mineral Resources.

(i) Capitalisation

Certain costs (other than payments to acquire the legal rights to explore) incurred prior to acquiring the rights to explore are charged directly to the income statement. Exploration, appraisal and development expenditure incurred on exploring, and testing exploration prospects are accumulated and capitalised as intangible exploration and evaluation (E&E) assets. Capitalised costs include geological and geophysical costs, and other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability activities). In addition, capitalised costs includes an allocation from operating expenses, including share based payments, all such costs are directly related to exploration and evaluation activities.

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying amount of the relevant E&E asset will be reclassified as a development and production asset, once the carrying value of the asset has been assessed for impairment.

If following completion of appraisal activities in an area, it is not possible to determine technical feasibility and commercial viability, or if the right to explore expires, then the costs of such unsuccessful exploration and evaluation is written off to the income statement in the period in which the event occurred.

(ii) Impairment

If facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount, an impairment review is performed. The following are considered to be key indicators of impairment.

- The right to explore in an area has expired, or will expire in the near future, without renewal.
- No further exploration or evaluation is planned or budgeted for.
- A decision has been made to discontinue exploration and evaluation in an area, because of the absence of commercial reserves.
- Sufficient data exists to indicate that the carrying amount will not be fully recovered from future development and production.

For E&E assets, where the above indicators exist, an impairment test is carried out. The E&E assets are categorised into Cash Generating Units ("CGU"). The carrying value of the CGU is compared to its recoverable amount and any resulting impairment loss is written off to the income statement. The recoverable amount of the CGU is assessed as the higher of its fair value, less costs to sell, and its value in use.

1. ACCOUNTING POLICIES *continued*

B. Transaction Costs

Transaction costs expenses arising on the issue of equity securities are accounted for as a deduction from equity against the share premium account.

C. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of the assets over their estimated useful lives as follows:

Plant and office equipment	10 years

D. Taxation

The tax expense represents the sum of the current and deferred tax charge.

The tax currently payable is based on taxable profits for the financial year. Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the statement of financial position liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

E. Share Based Payments

For equity-settled share based payment transactions (i.e. the granting of share options and share warrants), the company measures the services and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (Binomial Lattice Model). Given that the share options, and warrants granted do not vest until the completion of a specified period of service the fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options and warrants will be received over the vesting period, which is assessed as the grant date.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest. The amount expensed to the income statement excludes the amount capitalised as part of intangible assets.

F. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

G. Trade and other receivables and payables

Trade and other receivables and payables are measured at initial recognition at fair value, and subsequently measured at amortised cost.

H. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank held by the company and short term bank deposits with a maturity of three months or less. Cash and cash equivalents are held for the purpose of meeting short term cash commitments.

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

I. Pension costs

The company provides for certain employees through defined contribution pension schemes. The amounts charged to the income statement and statement of financial position is the contribution payable in that financial year. Any difference between amounts charged and contributions paid to the pension scheme is included in receivables or payables at the statement of financial position.

J. Foreign Currencies

Transactions denominated in foreign currencies relating to revenues, costs and non-monetary assets are translated into Euro at the rates of exchange ruling on the dates on which the transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the statement of financial position date. The resulting profits or losses are dealt with in the income statement.

K. Shareholder Loan

Shareholder loan is initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

L. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the company's accounting policies

In the process of applying the company's accounting policies above, management has identified the judgmental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Exploration and evaluation assets

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets. In addition there is uncertainty as to whether the exploration activity will yield any economical viable discovery.

Impairment of intangible assets

If an indicator of impairment exists (as outlined in the Intangible Assets accounting policy), the exploration and evaluation assets need to be allocated into Cash Generating Units ("CGU"). The determination of what constitutes a cash generating unit requires judgment. Once this is decided, the carrying value of each cash generating unit is compared to its recoverable amount. The recoverable amount of the CGU is assessed as the higher of its fair value, less costs to sell, and its value in use.

The determination of value in use requires the following judgments:

- Estimation of future cash flows expected to be derived from the asset.
- Expectation about possible variations in the amount or timing of the future cash flows.
- The determination of an appropriate discount rate.

1. ACCOUNTING POLICIES *continued*

Going concern

The preparation of the financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on finance being available for the continuing working capital requirements of the company and finance for the development of the company's projects becoming available. The directors have reviewed the projected cash flows for the company and on the basis of the projected cash flow information, the prospects for raising additional equity as required and taking into account the high potential of the acreage under licence, they consider it appropriate to prepare the financial statements on a going concern basis. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the company's assets, in particular the intangible fixed assets, to their realisable values.

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the financial year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the company is the Binomial Lattice Model. In addition, the directors consider that 80% of their activity is primarily focused on the company's diamond prospects and therefore, the directors consider it appropriate to capitalise 80% of such costs to exploration and evaluation assets.

Deferred tax

No deferred tax asset has been recognised in respect of tax losses as it cannot be considered probable that future taxable profits will be available against which the related temporary differences can be utilised.

2. GOING CONCERN

Mineral exploration and evaluation costs capitalised as intangible assets amounted to €8,029,132 (2014: €7,329,228) as disclosed in Note 9 at the financial year end 31 May 2015.

The directors recognise that the future realisation of intangible assets is dependent on the further successful development and ultimate production of the mineral reserves and the availability of adequate finance to bring the reserves to economic maturity and profitability.

During the financial year, the company issued equity of €Nil (2014: €4,173,943 net of expenses). The company incurred a loss of €121,551 (2014: €198,891) during the financial year ended 31 May 2015

The directors have reviewed the projected cash flows for the company and on the basis of the projected cash flow information, the prospects for raising additional equity as required and taking into account the high potential of the acreage under licence, they consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying amount, or classification of assets and liabilities, if the company was unable to continue as a going concern in the future.

Notes to the Financial Statements *continued*

3. SEGMENTAL REPORTING

Operating segments have been identified on the basis of internal reports about components of the company that are regularly reviewed by the Chief Operating Decision Maker, being the Board of Directors, in order to allocate resources to segments and to assess their performance. The company has one class of business, diamond exploration, and operates within one geographical market, Finland. Accordingly, the income statement and statement of financial position represents the activity of the company's sole business segment.

4. OPERATING EXPENSES

	2015 €	2014 €
Operating expenses	**484,980**	521,634
Transfer to intangible assets (Note 9)	**(360,492)**	(330,495)
	124,488	191,139

Operating expenses are analysed as follows:	2015 €	2014 €
Wages and salaries	**279,092**	256,531
Share based payments	**44,981**	75,118
Depreciation	**165**	168
Auditor's remuneration	**10,000**	10,000
Other operating expenses	**150,742**	179,817
	484,980	521,634

Of the above costs, a total of €360,492 (2014: €330,495) is allocated to intangible assets, based on a review of the nature and quantum of the underlying costs.

(a) Wages and salaries as disclosed above is analysed as follows:

	2015 €	2014 €
Wages and salaries	**253,042**	231,281
Social welfare costs	**2,050**	1,250
Pension costs	**24,000**	24,000
	279,092	256,531

4. OPERATING EXPENSES *continued*

(b) An analysis of remuneration for each director (prior to amounts capitalised as part of intangible assets) of the company in the current financial year is as follows:

	Fees €	Salary €	Share Based Payments €	Pension Contributions €	Total €
Prof. R.T.W.L. Conroy	20,000	65,000	15,033	–	100,033
M.T.A. Jones	10,000	50,000	11,389	15,000	86,389
J.P. Jones	10,000	30,000	7,165	9,000	56,165
Dr. S.C. Conroy	5,068	–	–	–	5,068
L.J. Maguire	10,000	–	1,039	–	11,039
S.P. Fitzpatrick	10,000	–	1,039	–	11,039
R.I. Chaplin	10,000	–	676	–	10,676
	75,068	**145,000**	**36,341**	**24,000**	**280,409**

An analysis of remuneration for each director (prior to amounts capitalised as part of intangible assets) of the company in the prior financial year is as follows:

	Fees €	Salary €	Share Based Payments €	Pension Contributions €	Total €
Prof. R.T.W.L. Conroy	20,000	65,000	28,687	–	113,687
M.T.A. Jones	10,000	50,000	21,730	15,000	96,730
J.P. Jones	10,000	30,000	13,679	9,000	62,679
L.J. Maguire	10,000	–	2,019	–	12,019
S.P. Fitzpatrick	10,000	–	2,019	–	12,019
R.I. Chaplin	10,000	–	1,333	–	11,333
	70,000	**145,000**	**69,467**	**24,000**	**308,467**

The total share based payment charge of €44,981 (2014: €75,118) is accounted for as shown below:

	2015 €	2014 €
Share based payment charge expensed to income statement	**7,911**	13,781
Share based payment charge transferred to intangible assets	**37,070**	61,337
	44,981	75,118

In the opinion of the directors, approximately eighty per cent of the share based payment charge is directly related to exploration and evaluation activities, and has been capitalised within intangible assets.

Notes to the Financial Statements *continued*

5. LOSS BEFORE TAXATION

The loss before taxation is arrived at after charging the following items, which are stated at amounts prior to the transfer to intangible assets:

	2015 €	2014 €
Depreciation	**165**	168
Auditor's remuneration		
– Audit of individual accounts	**10,000**	10,000
– Other assurance services	**–**	–
– Tax advisory services	**–**	–
– Other non-audit services	**–**	–

6. DIRECTORS' REMUNERATION

	2015 €	2014 €
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	220,068	215,000
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	**-**	-

	2015 Number of DIrectors	2015 €	2014 Number of DIrectors	2014 €
Aggregate contributions paid, treated as paid, or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors:				
– Defined contribution schemes	**2**	**24,000**	2	24,000
– Defined benefit schemes	**–**	**–**	–	–

	2015 €	2014 €
Compensation paid, or payable, or other termination payments, in respect of loss of office to directors of the company in the financial year:		
– Office of director of the company	**–**	–
– Other offices	**–**	–
Total	**–**	–

	2015 €	2014 €
Amounts paid or payable to past directors of the company or its holding undertaking:		
– For retirement benefits in relation to services as directors	–	–
– For other retirement benefits	–	–
Total for retirement benefits	–	–

	2015 €	2014 €
Compensation paid or payable for loss of office or other termination benefits:		
– Office of director	–	–
– Other offices	–	–
Total	–	–

7. INCOME TAX EXPENSE

(a) Analysis of the taxation charge for the financial year

	2015 €	2014 €
Irish corporation tax	–	–
Total current tax	–	–

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

(b) Factors affecting the tax charge for the financial year:

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

	2015 €	2014 €
Loss on ordinary activities before tax	**(121,551)**	(198,891)
Loss on ordinary activities multiplied by the standard rate of Irish corporation tax of 12½% (2014: 12½%)	**(15,194)**	(24,861)
Effects of:		
Losses carried forward for future utilisation	**15,194**	24,861
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. The amount not recognised amounts to €669,539 (2014: €654,345).

Notes to the Financial Statements *continued*

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share of €0.0004 (2014: €0.0013) is based on the loss for the financial year of €121,551 (2014: €198,891) and the weighted average number of ordinary shares on a basic and fully diluted basis during the financial year of 286,535,034 (2014: 157,942,015).

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

9. INTANGIBLE ASSETS

Exploration and evaluation:	2015 €	2014 €
Cost		
At 1 June	**7,329,228**	6,801,539
Expenditure during the financial year		
– licence and appraisal cost	**339,412**	163,391
– other operating costs (Note 4)	**323,422**	269,157
– equity settled share based payments (Note 4)	**37,070**	61,338
– loan interest (Note 14)	**–**	33,803
At 31 May	**8,029,132**	7,329,228

Exploration and evaluation assets relate to expenditure incurred in the development of mineral exploration opportunities.

The directors are aware that by its nature there is an inherent uncertainty in exploration and evaluation, and, consequently, in relation to the carrying value of capitalised exploration and evaluation assets.

The directors have considered the proposed work programmes for these mineral reserves. They are satisfied that there are no indications of impairment, but nonetheless recognise that future realisation of the intangible assets, is dependent on further successful development and ultimate production of the mineral reserves and the availability of adequate finance to bring the resources to economic maturity and profitability.

10. FINANCIAL ASSETS

	2015 €	2014 €
Investment in subsidiaries	**4**	4

Financial assets represent investments of €2 in each of the company's wholly owned subsidiary undertakings, Karelian Diamonds Limited and Nordic Diamonds Limited. The net assets of each entity is €2. Certain diamond claims in Finland are held in the name of the company's subsidiaries. The registered office of both non-trading subsidiaries is 9 Merrion Square North, Dublin 2.

The above subsidiaries have not been consolidated on the basis that they are not trading, and the net assets of each entity is €2.

11. PROPERTY, PLANT AND EQUIPMENT

Plant & Office Equipment	2015 €	2014 €
Cost		
At 1 June	**1,677**	1,677
At 31 May	**1,677**	1,677
Accumulated Depreciation		
At 1 June	**1,512**	1,344
Charge for the financial year	**165**	168
At 31 May	**1,677**	1,512
At 31 May	**–**	165

12. TRADE AND OTHER RECEIVABLES

	2015 €	2014 €
VAT receivable	**28,443**	18,865
Prepayments	**2,959**	3,187
Amounts due from related parties (Note 18)	**370,720**	33,727
	402,122	55,779

The company has confirmed to Conroy Gold and Natual Resources plc (a company with common directors) that it will not seek repayment of amounts owed by Conroy Gold and Natural Resources plc at 31 May 2015 of €370,720 for a period of at least 12 months from the date of approval of the financial statements of Conroy Gold and Natural Resources plc.

13. TRADE AND OTHER PAYABLES

(Amounts falling due within one year)	2015 €	2014 €
Accrued directors' remuneration		
– fees and other emoluments	**17,578**	94,179
– pension contributions	**180,000**	156,000
Accruals	**52,669**	68,744
PAYE/PRSI	**15,375**	455,062
	265,622	773,985

It is the company's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made according to the agreed terms. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of the trade and other payables approximates to their fair value.

Notes to the Financial Statements *continued*

14. NON-CURRENT FINANCIAL LIABILITIES

(Amounts falling due after more than one year)	R.L.T.W. Conroy 2015 €	2014 €
Shareholder loans		
Opening balance	**309,589**	1,171,968
Converted to shares (Note 15(a))	–	(560,718)
Funds repaid	–	(343,915)
Interest charge for the financial year	–	42,254
	309,589	309,589

Prior to the placing of shares in December 2014, the immediate funding requirements of the company had been financed by advances from Prof. R.T.W.L. Conroy (executive chairman and major shareholder). The accrued interest at 31 May 2015 is €309,589 (2014: €309,589).

15. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	2015 €	2014 €
Authorised:		
500,000,000 ordinary shares of €0.01 each	5,000,000	5,000,000

Issued and Fully Paid – current financial year

	Number	Share Capital Presented as Equity €	Share Premium €
At start and end of financial year	**286,535,034**	**2,865,350**	**6,786,177**

(a) At 31 May 2014 and 31 May 2015 warrants over 4,000,000 shares exercisable at 5p sterling at any time up to 1 September 2015 were outstanding and have now lapsed.

(b) At 31 May 2014 and 31 May 2015, warrants over 12,852,677 shares exercisable at 10p sterling at any time up to 16 November 2022 were outstanding. These warrants previously had been exercisable anytime up to 16 November 2017. At the annual general meeting on 15 December 2014 the exercise period was extended by five years from 2017 to 2022.

(c) At 31 May 2014 and 31 May 2015, 1,000,000 options were outstanding and are exercisable at prices ranging from €0.0761 to €0.0975 and expire between 16 April 2017 and 14 January 2018.

(d) The share price at 31 May 2015 was 1.15p sterling. During the financial year the price ranged from 0.85p to 1.725p sterling.

15. CALLED UP SHARE CAPITAL AND PREMIUM *continued*

Issued and Fully Paid – previous financial year

	Number	Share Capital Presented as Equity €	Share Premium €
At start of financial year	92,208,342	922,083	4,621,158
Share issue (a)	77,991,666	779,917	616,134
Share issue (b)	37,500,000	375,000	528,000
Share issue (c)	27,500,000	275,000	385,000
Share issue (d)	51,335,026	513,350	888,096
Issue expenses	–	–	(252,211)
At end of financial year	286,535,034	2,865,350	6,786,177

(a) On 11 December 2013, 46,666,666 ordinary shares of €0.01 each were placed for cash raising £700,000 before expenses and £469,875 of the shareholder's loan was converted into 31,325,000 ordinary shares of €0.01 shares. The shares were issued at 1.5p sterling (€0.0179) resulting in a premium of €0.0079 per share.

(b) On 7 January 2014, 37,500,000 ordinary shares of €0.01 each were placed for cash raising £750,000 before expenses. The shares were issued at 2.0p sterling (€0.0248) resulting in a premium of €0.0148 per share.

(c) On January 2014, 27,500,000 ordinary shares of €0.01 each were placed for cash raising £550,000 before expenses. The shares were issued at 2.0p sterling (€0.0240) resulting in a premium of €0.014 per share.

(d) On 2 May 2014, 32,222,222 ordinary shares of €0.01 each were placed for cash raising £725,000 before expenses and certain directors converted accrued salaries and fees totalling £430,038 into 19,112,804 ordinary shares of €0.01 each. The shares were issued at 2.25p sterling (€0.0273) resulting in a premium of €0.0173 per share.

(e) On 16 December 2010 warrants to subscribe for 3,888,888 shares were granted. The warrants are exercisable at 5p at any time up to 23 December 2013. These warrants lapsed during the financial year.

(f) At 31 May 2013 and 31 May 2014 warrants over 4,000,000 shares exercisable at 5p sterling at any time up to 1 September 2015 were outstanding.

(g) At 31 May 2013 and 31 May 2014, warrants over 12,852,677 shares exercisable at 10p sterling at any time up to 16 November 2017 were outstanding.

(h) At 31 May 2013 and 31 May 2014, 1,000,000 options were outstanding and are exercisable at prices ranging from €0.0761 to €0.0975 and expire between 16 April 2017 and 14 January 2018.

(i) The share price at 31 May 2014 was 2.15p sterling. During the financial year the price ranged from 0.62p to 4.4p sterling.

Notes to the Financial Statements *continued*

16. NOTE TO THE CASHFLOW STATEMENT

Reconciliation of operating loss to Net Cash generated (used in) Operations:	2015 €	2014 €
Operating loss	**(124,488)**	(191,139)
Depreciation	**165**	168
Expense recognised in income statement in respect of equity settled share based payments	**7,911**	13,780
(Decrease)/increase in creditors	**(508,363)**	73,790
Increase in debtors	**(346,343)**	(44,088)
Net cash used in operations	**(971,118)**	(147,489)

17. COMMITMENTS AND CONTINGENCIES

At 31 May 2015 there were no capital commitments or contingent liabilities (2014: €Nil).

18. RELATED PARTY TRANSACTIONS

(a) Details as to shareholder loans and share capital transactions and transactions with Prof. R.T.W.L Conroy are outlined in Notes 14 and 15 to the financial statements.

(b) The company shares accommodation with Conroy Gold and Natural Resources plc which has certain common shareholders and directors. For the financial year ended 31 May 2015, Conroy Gold and Natural Resources plc, incurred costs totalling €301,992 (2014: €205,768) on behalf of the company. These costs were recharged to the company by Conroy Gold and Natural Resources plc.

The costs are analysed as follows:

	2015 €	2014 €
Wages and salaries	**26,823**	28,713
Rent and rates	**21,843**	13,463
Travel and subsistence	**43,587**	17,805
Legal and professional	**25,902**	40,906
Other operating expenses	**69,298**	42,329
Exploration costs	**114,539**	62,552
	301,992	205,768

At 31 May 2015, €370,720 (2014: €33,727) was paid in advance in relation to recharges between the related parties.

(c) Details of key management compensation which comprises directors' remuneration including short term employee benefits €220,068 (2014: €215,000), post-employment benefits €24,000 (2014: €24,000), other long term benefits €Nil (2014: €Nil), share based payment €36,341 (2014: €69,467) and termination benefits €Nil (2014: €Nil) are outlined in Note 6 to the financial statements.

(d) During the financial year, the date of expiry of warrants originally granted to directors on 16 November 2007 which were due to expire on 16 November 2017 was extended to 16 November 2022. The extension was approved at the company's Annual General Meeting on 15 December 2014. The number of warrants for which the date of expiry has been extended for each director is as follows:

	Number of warrants
R.T.W.L. Conroy	5,521,049
M.T.A. Jones	4,191,275
J.P. Jones	2,604,689
R.I. Chaplin	71,272
S.P. Fitzpatrick	232,201
L.J. Maguire	232,201

As a result of the foregoing, an additional charge has been recognised in the financial statements of €5,692, of which €4,554 has been included in the share based payment charge transferred to intangible assets and €1,138 included in the income statement.

19. SHARE BASED PAYMENTS

The company operates a share option scheme for employees who devote a substantial amount of their time to the business of the company.

Options granted generally have a vesting period of ten years. Details of the share options outstanding during the financial year are as follows:

	2015		2014	
	No. of Share Options	Weighted Average Exercise Price €	No. of Share Options	Weighted Average Exercise Price €
1 June	**1,000,000**	**0.0803**	1,000,000	0.0803
Granted during financial year	**–**	**–**	–	–
Exercised during financial year	**–**	**–**	–	–
Lapsed during financial year	**–**	**–**	–	–
31 May	**1,000,000**	**0.0803**	1,000,000	0.0803

Warrants granted generally have a vesting period of ten years. Details of the warrants outstanding during the year are as follows:

	2015		2014	
	No. of Share Warrants	Weighted Average Exercise Price €	No. of Share Warrants	Weighted Average Exercise Price €
1 June	**18,686,010**	**0.0872**	18,686,010	0.0872
Granted during financial year	**–**	**–**	–	–
Exercised during financial year	**–**	**–**	–	–
Lapsed during financial year	**–**	**–**	–	–
31 May	**18,686,010**	**0.0872**	18,686,010	0.0872

Notes to the Financial Statements *continued*

19. SHARE BASED PAYMENTS *continued*

The company estimated the fair value of employee stock options and warrants awards using the Binomial Lattice Model. The determination of the fair value of share based payment awards on the date of grant using the Binomial Lattice Model is affected by Karelian Diamond Resources Plc stock price as well as assumptions regarding a number of subjective variables. These variables include the expected term of the awards, the expected stock price volatility over the term of the awards, the risk free interest rate associated with the expected term of the awards and the expected dividends.

During the financial year the date of expiry of warrants originally granted to the directors on 16 November 2007, which were due to expire on 16 November 2017 was extended to 16 November 2022. The extension was approved at the company's Annual General Meeting on 15 December 2014.

The company's Binomial Lattice Model included the following weighted average assumptions for the company's employee stock option and warrants.

	2015 Stock options	2015 Stock warrants	2014 Stock options	2014 Stock warrants
Dividend yield	**0%**	**0%**	0%	0%
Expected volatility	**70%**	**70%**	70%	70%
Risk free interest rate	**4.2%**	**4.1%**	4.2%	4.1%
Expected life (in years)	**10**	**10**	10	10

This calculation results in a share based payments reserve movement of €44,981 (of which €5,692 relates to the extension of the date of expiry of warrants) (2014: €75,118).

20. SUBSTANTIAL SHAREHOLDINGS

So far as the Board is aware, no person or company, other than the Directors' interests disclosed above and the shareholder's listed below, held 3% or more of the issued ordinary share capital of the company at 31 May 2015.

Name	Number of ordinary shares	%
Professor Conroy	76,806,168	26.81%

* Of the 76,806,168 ordinary shares held by Professor Conroy, 30,815,030 are held by Conroy Plc, a company in which Professor Conroy has a controlling interest.

21. SUBSEQUENT EVENTS

There are no important events since financial year end which need to be disclosed within these financial statements.

22. FINANCIAL INSTRUMENTS

The company's financial assets and liabilities stated at carrying amount and fair value are as follows at 31 May 2015:

	Carrying Amount 2015 €	Fair Value 2015 €	Carrying Amount/ Fair Value 2014 €
Trade and other receivables	**402,122**	**402,122**	55,779
Cash and cash equivalents	**474,026**	**474,026**	2,105,041
Trade and other payables and financial liabilities	**575,211**	**575,211**	1,083,574

22. FINANCIAL INSTRUMENTS *continued*

The following sets out the methods and assumptions used in estimating the fair value of financial assets and liabilities.

Trade and Other Receivables/Payables and Financial Liabilities

As both trade and other receivables and trade and other payables have a remaining life of less than one financial year, the carrying value is deemed to reflect fair value. The company has received confirmation that payment of the shareholder loan will not be demanded for a period of 12 months from the date of approval of the financial statements. The directors consider that its carrying value reflects its fair value as no fixed repayment arrangements attached to same.

Cash and Cash Equivalents

As cash and cash equivalents have a remaining maturity of less than three months, the nominal amount is deemed to reflect the fair value.

Risk Management

The company is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (including interest rate risk).

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a policy of dealing only with credit worthy counterparties. The company's exposure to credit risk relates to the carrying value of cash and cash equivalents and trade and other receivables which at 31 May 2015 amounted to €876,148 (2014: €2,160,820).

At 31 May 2015 and 31 May 2014 all trade and other receivables were not past due.

Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its obligations as they fall due. The company's policy is to monitor cash flow and consider whether available cash resources are sufficient to meet its ongoing exploration programme.

The nature of the company's activities can result in differences between actual and expected cash flows. This risk was managed by the directors during the financial year by way of raising sufficient finance so that the company has sufficient resources to carry out its forthcoming work programme.

Market Risk – Interest Rate Risk

The company's exposure to changes in interest rates relates primarily to the shareholder loan balance. If the interest rate rose by 1%, the company's loss would increase by €3,096. A decrease in the interest rate would result in a corresponding decrease in the same amount.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board on 20 November 2015.