

Placing to raise £700,000 and debt capitalisation

- **Placing of 46,666,666 new ordinary shares at 1.5 pence per share to raise £700,000 before expenses**
- **Debt capitalisation of £469,875 at 1.5 pence per share**
- **Proceeds of the placing to be applied to accelerate ongoing programmes at its various diamond prospects in Finland**

Karelian Diamond Resources plc (“Karelian”) (AIM: KDR, ESM: KDRI), the diamond exploration company focussed on Finland, announces that it has conditionally raised £700,000, before expenses, through a placing (“the Placing”) of 46,666,666 ordinary shares (“Placing Shares”) of EUR0.01 in the capital of the Company (“Ordinary Shares”). The Placing Shares have been placed at a price of 1.5 pence per Placing Share (“the Placing Price”). In addition, Professor Richard Conroy, Chairman of the Company, has capitalised loans amounting to £469,875 by subscribing for 31,325,000 Ordinary Shares of EUR0.01 in the capital of the Company at the Placing Price (together with the Placing Shares set out above (“New Shares”).

Following the admission of the New Shares, Professor Richard Conroy will hold 68,356,701 Ordinary Shares in the Company, representing approximately 40.16 per cent. of the Company’s enlarged share capital and total voting rights.

The Placing Shares were placed with institutional and retail investors by XCAP Securities Plc (“XCAP”). The Placing and Subscription are conditional, inter alia, on admission of the Placing and Subscription Shares to trading on AIM and the Enterprise Securities Market operated by the Irish Stock Exchange Limited (“ESM”). The New Shares will rank pari passu with the existing issued ordinary shares of EUR 0.01 in the capital of the Company (“Ordinary Shares”).

The Company intends to use the net proceeds of the Placing primarily accelerate the Company’s ongoing programmes at its various diamond prospects in Finland and for working capital generally.

Professor Richard Conroy’s participation in the debt capitalisation is a related party transaction under the AIM Rules. The independent directors, having consulted with the Company’s nominated adviser and ESM adviser, consider the terms of the debt capitalisation to be fair and reasonable insofar as the Shareholders are concerned.

Application has been made to AIM and ESM for the Placing shares to be admitted to trading. Admission and trading are expected to commence on 17 December 2013.

On admission of the 77,991,666 New Shares, the Company will have 170,200,008 Ordinary Shares in issue in total.

Professor Richard Conroy, Chairman, commented:

“The support from institutional investors is much appreciated. These monies will allow us to accelerate ongoing programmes at our diamond prospects in Finland. At one of our targets, Seitaperä, the diamondiferous kimberlite pipe discovered is, at 6.9 hectares, the largest known diamondiferous kimberlite pipe in Finland.”

“The Placing will also allow for further work on other targets arising from the integration of the Company’s data with the extensive database made available in accordance with the agreement between Karelian and Rio Tinto Mining and Exploration.”

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc
Simon Clements/Virginia Bull, Sanlam Securities UK Limited (Nomad)
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