

Private Placing to raise £725,000 and Debt Conversion of £430,038

- **Placing of 32,222,222 new ordinary shares at 2.25 pence per share to raise £725,000 before expenses**
- **Conversion of accrued directors fees and salaries amounting to £430,038 by directors of the Company at 2.25 pence per share**
- **Proceeds of the placing to be applied to implement and expand 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 £725,000, before expenses, through a placing (“the Placing”) of 32,222,222 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 2.25 pence per Placing Share (“the Placing Price”).

The Placing Shares were placed with retail investors by Hume Capital Securities Plc (“Hume”). The Placing is conditional, inter alia, on admission of the Placing Shares to trading on AIM and the Enterprise Securities Market (“ESM”) operated by the Irish Stock Exchange Limited. 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 to implement and expand the Company’s ongoing programmes at its various diamond prospects in Finland and for working capital generally.

In addition, Professor Richard Conroy, Séamus FitzPatrick, Maureen Jones and James P. Jones, directors of Karelian (the “Directors”) have today converted, in aggregate, £430,038 of accrued salaries and fees into 19,112,804 Ordinary Shares at 2.25 pence per share (“Conversion Shares”) as follows.

Director	Amount converted	No. of new Ordinary Shares	Resultant shareholding	Percentage interest in the enlarged issued share capital
Professor Conroy	£190,113	8,449,467	*76,806,168	26.81
Maureen Jones	£134,663	5,985,039	6,110,875	2.13
James Jones	£84,522	3,756,538	3,814,873	1.33
Séamus FitzPatrick	£20,740	921,760	922,246	0.32

*Includes 30,815,030 held by Conroy Plc, a company in which Professor Conroy has a controlling interest

The Directors’ participation is a related party transaction under the AIM Rules. The independent directors of Karelian, 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 8 May 2014.

On admission of the Placing Shares and the Conversion Shares, the Company will have 286,535,034 Ordinary Shares in issue in total.

Professor Richard Conroy, Chairman, commented:

“The Company is delighted at this further demand from private investors. These monies will allow us to expand and accelerate our ongoing programmes at our diamond prospects in Finland including the additional areas which have been awarded to, or been applied for, by the Company utilising the extensive data relating to Finland made available to the Company by Rio Tinto Mining and Exploration in addition to the Company’s own exploration data. The placing has been done at a 12.5% price increase to the placings in January 2014.”

Further Information:

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