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Karelian Diamond Resources plc
("Karelian" or "the Company")

1 August 2017

PRELIMINARY ECONOMIC ASSESSMENT OF THE LAHTOJOKI DIAMOND PROJECT

- **2.11M Carats Recoverable with a Gross Value of US\$211M**
- **Mining Operation Recommended**
- **Nine Year Mine Life: Payback Year 2**
- **IRR 55% and NPV (8%) US\$39.1M**

Karelian Diamond Resources plc ("Karelian") (AIM: KDR, ESM: KDRI), is pleased to announce that it has received a Preliminary Economic Assessment ("PEA") on its 1.6 hectare Lahtojoki diamondiferous kimberlite pipe in the Kuopio – Kaavi district in south eastern Finland ("Lahtojoki") over which the Company holds a Mining Concession. The PEA study was carried out by Michael Brennan of Brennan Mining Services Limited, a consultant to the Company.

The PEA states that analysis of combined microdiamond and mini-bulk sample data suggests a +1mm recoverable grade of 39.7 Carats Per Hundred Tonnes (cpht) and indicates the presence of high quality stones within the diamonds that have been recovered to date.

Drilling indicates 5,603,584 tonnes are present to a depth of 160 metres below surface. For the purposes of the PEA US\$100/carats has been used in the economic evaluation and mine design.

A total resource (Non JORC) estimate is of 2,225,000 carats and a contained value of US\$222.5 million. Pursuant to the PEA, it is appropriate to classify the resource into the inferred category based on the current available grade and diamond value data. Currently it is not possible to attribute reserves to Lahtojoki. Based on resource available and an appropriate technical and economic assessment it is possible to consider those resources that are likely to become mineable and economically viable subject to further exploration and feasibility work being undertaken.

An open pit mining operation is recommended.

Plant recovery of diamonds was estimated at 95% (2.11M carats recoverable) giving a gross value of US\$211 million.

The key economic indicators for the Lahtojoki kimberlite project are estimated as follows:

Mine Life (yrs)	Recoverable Carats (M)	NPV (8%) US\$ (M)	IRR (%)	Payback (yrs)
9	2.11	39.1	55	2

Capital cost estimates total US\$22 million including process plant costs of US\$14 million, infrastructure US\$3 million and working and sustaining capital US\$5 million.

This release has been approved by Michael Brennan (MSc., SAIMM), who is a Consultant to Karelian Diamond Resources plc, in accordance with the guidance note for Mining, Oil & Gas Companies issued by the London Stock Exchange in respect of AIM Companies, which outlines standards of disclosure for mineral projects.

The work carried out by Michael Brennan of Brennan Mining Services Limited and the derived estimate of the reported diamond resource has been undertaken using acceptable international practice, with consideration of the relevant CIM Best Practice Guidelines. However, in its current format, the contents of the report provided to Karelian are not JORC Code compliant and the diamond resource estimate should be viewed as indicative of the resource potential.

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc commented:

"I am delighted that a mining operation has been recommended. Clearly much work remains to be done but this report is a major and very encouraging step forward in our assessment of the Lahtojoki Diamond project and of its potential for development as a mine."

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