

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.



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

10 December 2019

Subscription and issue of convertible loan note to raise £240,000

Karelian Diamonds (AIM: KDR), the diamond exploration company focused on Finland, is pleased to announce that it has raised a total of £240,000 through a subscription (the "**Subscription**") of a total of 3,000,000 new ordinary shares of €0.00025 each ("**Ordinary Shares**") in the capital of the Company (the "**Subscription Shares**") and the issue of an unsecured convertible loan note (the "**Convertible Loan Note**") (together the "**Fundraising**").

The Subscription Shares and the Convertible Loan Note have been subscribed for by a new investor, Fredrik Björnberg (the "**Investor**"). Mr. Björnberg is a member of a prominent family in Finland with a range of business activities, in particular in the forestry and paper industry.

The Björnberg family previously owned the Luikonlahti copper mine in the Kaavi area and still have close connections with this part of Finland.

Mr. Björnberg qualified in geology at the University of Helsinki and is a member of the Finnish Association of Mining and Metallurgical engineers. He has also been a member of the Canadian Prospectors and Developers Association, as well as a member of CIM.

The Lahtojoki diamond deposit was originally discovered by Malmikaivos Oy founded in the 1940s by the family.

After the depletion of the Luikonlahti copper mine the company concentrated its effort on diamond exploration together with Ashton Mining and discovered a cluster of kimberlites including Lahtojoki.

Thus Mr. Björnberg was closely involved with the original discovery of the Lahtojoki diamond deposit in Kaavi over which Karelian Diamonds now holds a mining concession.

The proceeds of the Fundraising will be applied by the Company for general working capital purposes and in particular to the development of the Lahtojoki diamond deposit and to continue the Company's diamond exploration both around Lahtojoki and in the Kuhmo region of Finland.

Terms of the Subscription

The Company has raised a total of £120,000 through the Subscription with the Investor. The Subscription Shares have been subscribed for at a price of 4 pence per Subscription Share (the "**Subscription Price**").

The Subscription Price represents a premium of approximately 122.2 per cent. to the closing mid-market price of 1.80 pence per Ordinary Share on 9 December 2019. The Subscription Shares will represent approximately 6.97 per cent. of the share capital of the Company as enlarged by the Subscription. The Subscription Shares will be issued using the Company's existing share authorities and will rank *pari passu* with the existing issued Ordinary Shares.

Application has been made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM (“**Admission**”). It is expected that Admission will become effective on 11 December 2019.

Immediately following Admission Fredrik Björnberg is expected to have an interest in 3,000,000 Ordinary Shares representing 6.97 per cent. of the enlarged ordinary share capital of the Company.

Terms of the Convertible Loan Note

Alongside the Subscription, the Company has entered into a convertible loan note agreement for a total amount of £120,000 with the Investor which has been created pursuant to a loan note instrument. The Convertible Loan Note is unsecured, has a term of three years and attracts interest at a rate of 5% per annum which is payable on the redemption or conversion of the Convertible Loan Note. The Convertible Loan Note has been fully drawn down.

The Convertible Loan Note, including the total amount of accrued but unpaid interest, is convertible at the conversion price of 10 pence (the “**Conversion Price**”), equivalent to a 455.6 per cent premium to the closing mid-market price of the Ordinary Shares on 9 December 2019. The Investor 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 of the Convertible Loan Note. Any conversion of the Convertible Loan Note will be for a minimum of £50,000 of loan notes.

The Company shall have the right to convert the principal amount outstanding on the Convertible Loan Note and all interest accrued thereon into new Ordinary Shares at the Conversion Price in the event that the average of the daily volume weighted average price calculations for the Ordinary Shares in the Company for the 45 day period immediately prior to the Company seeking to require the conversion of the Convertible Loan Note exceeds the Conversion Price.

Unless the Investor has given prior notice to convert, the Convertible Loan Note will be repaid immediately prior to the completion of an offer or agreement pursuant to which any person or those acting in concert acquires over 50% of the issued share capital of Karelian Diamonds.

The Investor shall be entitled, on serving written notice on the Company, to require the Company to redeem all or any part of the Convertible Loan Note at par on or after the three-year term of the Convertible Loan Note.

The Investor’s conversion rights are limited to the extent that the Company has adequate shareholder authority to convert.

No application has been or will be made to any stock exchange for the listing of, or for permission to deal in, all or any of the Convertible Loan Note.

Total voting rights

Following the issue of the Subscription Shares, and for the purposes of the Disclosure and Transparency Rules, the Company’s total issued share capital on Admission will consist of 43,042,749 Ordinary Shares.

The above figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company, under the Disclosure and Transparency Rules.

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

“I am delighted to welcome Fredrik Björnberg as an investor in Karelian Diamonds, which highlights local investor support for the development of what we anticipate will, in the future, be Europe’s first diamond mine (outside Russia). Mr. Björnberg’s experience in industry, including the mining industry in Finland, and his knowledge of and connections with the Kuopio - Kaavi area in which the Lahtojoki diamond deposit is located will be valuable to the Company moving forward. I look forward very much to working with him and his family to develop Karelian Diamond Resources.”

For further information please contact:

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