



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

**Variation to existing convertible loan agreement and conversion of loan**

**Background**

On 10 December 2019 the Company announced that it had raised £240,000 through a subscription of £120,000 at 4 pence per share and the issue of an unsecured convertible loan note (the "**Convertible Loan Note**") to raise £120,000. The fundraising in December 2019 was undertaken with Fredrik Björnberg (the "**Lender**"), a member of a prominent family in Finland which previously owned the Luikonlahti copper mine in the Kaavi area of Finland and founded the company which originally discovered the Lahtojoki diamond deposit over which Karelian Diamonds now hold a mining concession.

The Convertible Loan Note had a term of three years and has attracted interest at a rate of 5% per annum to be payable on the redemption or conversion of the Convertible Loan Note. The Convertible Loan Note, including the total amount of accrued but unpaid interest, was originally convertible at a conversion price of 10 pence per share.

On 29 November 2022 the Company announced, as part of its final results announcement for the year ended 31 May 2022, that it had started discussions with the Lender in relation to an extension of the term, or conversion, of the Convertible Loan Note and that a number of options were available to the Company. The Company also stated that the loan note holder was both a supportive and significant shareholder in the Company and that the Board was confident that the discussions would be satisfactorily concluded.

Mr Fredrik Björnberg is currently interested in 3,000,000 ordinary shares of €0.00025 each in the capital of the Company ("**Ordinary Shares**") representing 3.70 per cent. of the current issued share capital of the Company.

**Agreement to vary terms and conversion of Convertible Loan Note**

The Company has agreed with the Lender to vary the terms of the Convertible Loan Note such that the conversion price of the Convertible Loan Note is amended from 10 pence per Ordinary Share to 4 pence per Ordinary Share (the "**Revised Conversion Price**"). The Revised Conversion Price represents an 81% premium on the Company's closing mid-market share price on 19 December 2022.

Following the variation to the existing loan agreement as detailed above, the Lender has immediately exercised its conversion rights and submitted a notice of conversion to the Company in relation to the Convertible Loan Note ("**Conversion**"). At the Revised Conversion Price, the loan and all accrued interest (£138,000 as at 10 December 2022) is convertible into 3,450,000 new Ordinary Shares (the "**Conversion Shares**").

Following the issue of the Conversion Shares, Mr Fredrik Björnberg is expected to have a beneficial interest in a total of 6,450,000 Ordinary Shares in the Company, representing 7.63% of the enlarged issued share capital of the Company on Admission.

### **Admission and total voting rights**

Application has been made to the London Stock Exchange for the 3,450,000 Conversion Shares to be admitted to trading on AIM ("**Admission**"). It is expected that Admission will become effective on, or around, 23 December 2022.

Following the Conversion, the issued share capital of the Company will comprise 84,492,749 ordinary shares of €0.00025, with one voting right per share. The Company does not hold any shares in treasury. Therefore, the total number of Ordinary Shares and voting rights in the Company will be 84,492,749.

Following the Conversion, the above figure may be used by shareholders in the Company 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 share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

### **For further information please contact:**

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