

17 May 2016

STRATEGIC FINANCING UPDATE

Placing to raise £250,000 (€317,000)

- **Placing of 31,250,000 new ordinary shares at 0.8 pence per share together with 31,250,000 warrants to raise £250,000 (€317,000) before expenses**
- **Proceeds of the placing to be applied to fund the advancement of the Company's principal diamond opportunities and in particular the recently acquired Lahtojoki Diamond Project and for working capital generally**

Karelian Diamond Resources plc (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, is pleased to announce that it has conditionally raised £250,000 (€317,000), prior to expenses, through a placing (the "Placing") of 31,250,000 ordinary shares of €0.01 in the capital of the Company (the "Placing Shares") and 31,250,000 warrants at an exercise price of 1.6 pence per warrant (the "Warrants"), together the "Placing Units", at a price of 0.8 pence per Placing Unit (the "Placing Price") being a premium of 2.56 per cent. to the closing mid-market-price on 16 May 2016 (being the last practicable date prior to the completion of the Placing).

The Placing is conditional, *inter alia*, on admission of the Placing Shares to trading on AIM and the Enterprise Securities Market operated by the Irish Stock Exchange Limited ("ESM"). The Placing Shares will rank *pari passu* with the existing issued ordinary shares of €0.01 in the capital of the Company ("Ordinary Shares").

The Warrants can be exercised at any time from admission of the Placing Shares to the second anniversary of the admission of the Placing Shares being 24 May 2018. The Warrants also contain a mandatory exercise clause if the closing price of the Ordinary Shares remains at 5p pence or higher for 10 or more consecutive business days.

The Company intends to use the proceeds of the Placing to fund the advancement of the Company's principal diamond opportunities and in particular the Lahtojoki Diamond Project, the acquisition of which was announced on 19th April 2016 and for working capital generally.

Application has been made to AIM and ESM for the Placing Shares to be admitted to trading. It is expected that admission will become effective on 24 May 2016.

Following the issue of the Placing Shares, and for the purposes of the Disclosure and Transparency Rules, the Company's total issued share capital on Admission will consist of 317,785,034 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, Karelian Diamond Resources plc commented:

"We are pleased to announce this strategic placing which provides the funds to enable the Company to step up its activities. We were particularly delighted to succeed in the acquisition of the Lahtojoki Diamond Project as announced recently. With the funds raised we can start to

demonstrate the potential this project has to offer and also further the work at Riihivaara where the Company has discovered a potential new diamond source”.

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc

Tel: +353-1-661-8958

Virginia Bull / James Thomas, Allenby Capital Limited (Nomad)

Tel: +44-20-3328-5656

Ger Heffernan, IBI Corporate Finance Limited (ESM Adviser)

Tel: +353-7662-34800

Jon Belliss/Elliot Hance, Beaufort Securities Limited (Broker)

Tel: +44-20-7382-8300

Michael Padley, Lothbury Financial Services Limited

Tel: +44-20-3290-0707

Don Hall, Hall Communications

Tel: +353-1-660-9377

<http://www.kareliandiamondresources.com>