

Ticker: KDR.L
Share price (GBP): 1.300
Market cap: (£m) 1.5



Karelian Diamond Resources (KDR.LN)

Karelian Diamond Resources' ("Karelian") objective is to make a major diamond discovery in Finland comparable to the world class discoveries already made on the Russian side of the Karelian Craton. Diamond bearing material has already been clearly demonstrated in the past at the company's 100% owned Seitaperä Kimberlite Pipe and now with recent results from the company's Riihivaara asset showing samples of diamondiferous indicator minerals the company hopes to replicate the Russian successes across the border.

Karelian Diamond Resources plc ("Karelian") is a diamond exploration company with a focus on uncovering economic diamond deposits on the Finnish side of the Karelian Craton. The company's overriding strategy is to replicate Russian successes across the border such as Lukoil's Grib mine and Alrosa's Lomonosov assets. At present Karelian's key target areas are:

- the Kuhmo municipality – which contains the Seitaperä Kimberlite Pipe, the largest known kimberlite pipe in Finland, and Riihivaara c.10km to the SSE of Seitaperä, which has recently returned results from its till sampling programme indicating the presence of diamondiferous indicator minerals. Other targets in this area include the Havukkasuo and Lentira kimberlite occurrences, which are currently under licence;
- the Kuusamo Area – which covers over 5,800km² lies 140km to the north of the established Kuhmo area with the Seitaperä diamondiferous kimberlite pipe. The integration of the Company's data with Rio Tinto data led to the application for claim reservations in this area with substantial counts of kimberlite indicator minerals identified.

The company benefits from access to established infrastructure near its projects, including roads, power and water within 500m of its Seitaperä asset and data provided by its strategic partner Rio Tinto. Karelian's relationship with Rio Tinto provides the company with access to a powerful partner that sees Rio Tinto having the option to earn a 51% interest in any project identified by Karelian in Finland by paying the direct cash expenditures incurred in developing the project. For diamond projects Rio Tinto's option will be triggered if Karelian completes 10 tonne or more of bulk sampling for diamond exploration. For all other minerals the option will be triggered if Karelian discovers a resource with an in situ value that is equal to or greater than the in situ value of 3Moz of gold in a JORC compliant resource calculation. (cont'd page 2)

Karelian Diamond Resources

Share price (GBP)	1.300
Bid/Ask (GBP)	1.299 – 1.301
Market cap (£m)	1.5
Share price as at close:	7 Nov 2013
Ticker Reuters/BBG	KDR.L/KDR LN

Stock data

52 week high (GBP)	1.61
52 week low (GBP)	0.46
Volume	77,000
Dividend yield (%)	0.00

Capitalisation

Enterprise value (£m)	2.6
Market cap (£m)	1.5
Net debt/(cash) (£m)	1.1
Free float (%)	56.1
Shares on issue (m)	92.2

Share price performance

Performance (%)	1m	3m	12m
Absolute	86.1	139.3	103.0



Business information

A diamond exploration company focused on the discovery of potential world-class diamond deposits on the Finnish side of the Karelian Craton.

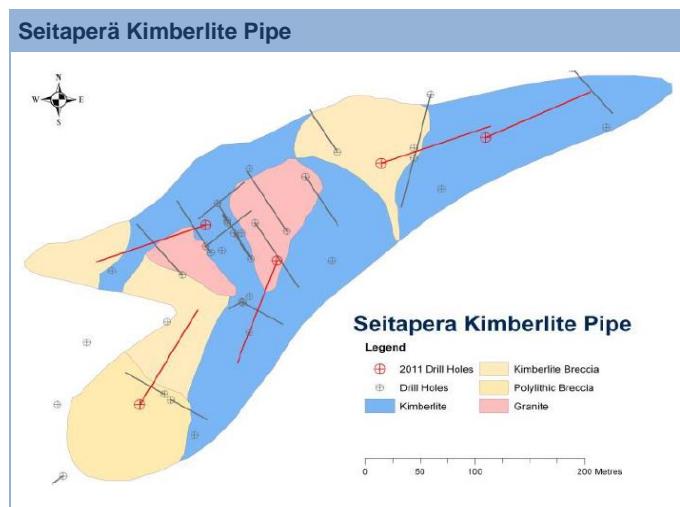
www.kareliandiamondresources.com

Karelian Diamonds: Asset Portfolio

Karelian's strategy is to replicate the successes made by the Russians on the Karelian Craton, which covers a 300,000km² area across the eastern part of Finland, Western Russia and Northern Norway. For instance on the Russian side of the border, the Arkhangelskaya and Karpinskogo-1 pipes of Alrosa's Lomonosov Division currently has a processing capacity of 1Mtpa ore (soon to be 3Mtpa) and produced 559k carats in FY 2012. Likewise, OAO Lukoil's is soon expected to start production at its Grib mine in the Arkhangelsk region with an expected production by 2016 of 4 million carats per annum. Karelian Diamond's main assets on the Craton on the Finnish side of the border consist of: 1) its Seitaperä flagship project; 2) its Riihivaara project; and 3) the company's claim reservations located elsewhere in Finland.

1) Seitaperä

The Seitaperä kimberlite pipe in the Kuhmo area of eastern Finland covers approximately 6.9 hectares making it the largest kimberlite pipe discovered in Finland. Over the past four years Karelian has drilled 29 holes into the body, representing a total length of approximately 2,400m. The recovery of microdiamonds in the mantle xenolith identified during the 2011 and 2012 drilling programmes confirm the diamondiferous nature of Seitaperä and demonstrate a mineral chemistry comparable to the successful Ekati and Diavik diamond mines associated with the Lac de Gras kimberlite field in the Northwest Territories, Canada. The microdiamonds identified in the Seitaperä pipe are white in colour, transparent and octahedral. The broken nature of the microdiamonds suggests the possibility of larger stone sizes. The company is now investigating the zones where the micro-diamonds were discovered as well as the mantle xenolith zones identified during the 2011 drilling programme.



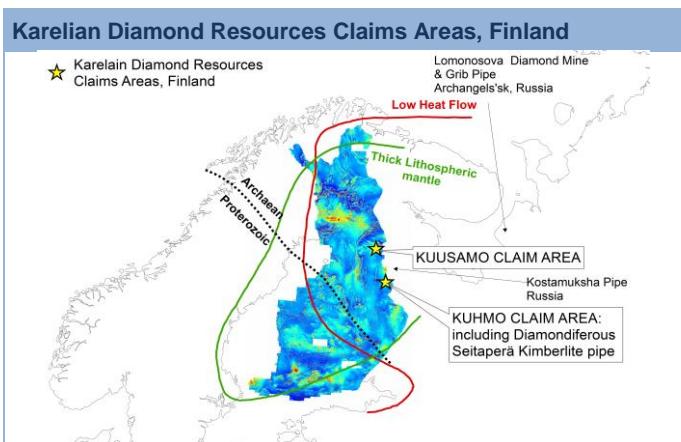
Source: Karelian Diamonds, XCAP Securities

2) Riihivaara

Located approximately 10km south-south-east of the company's better known Seitaperä site, Riihivaara has in the past been knowingly characterised by mineralisation indicative of highly prospective kimberlites. A basal till sampling programme undertaken by the company at Riihivaara in 2011/2012 returned a number of "kimberlite indicator minerals" such as G9 and G10 minerals as well as G3 and G4 garnets. These recent positive results from the programme suggest the presence of deep mantle material with the ability to convey prospective diamond-bearing material to the surface. As a consequence of these encouraging results, which have statistically shown a correlation with higher grade diamond discoveries, Karelian has now applied for exploration claims within this reservation area.

3) Kuusamo

Kuusamo is a municipality in the north east of Finland, just south of the Arctic Circle and bordered to the east by Russia. Several kimberlitic bodies have been discovered in this region including two discovered by Malmikaivos/Ashton subsequently taken over by Rio Tinto. The integration of the Company's data with Rio Tinto data led to the application for claim reservations in this area with substantial counts of kimberlite indicator minerals identified.



Source: Karelian Diamonds, XCAP Securities



Source: Karelian Diamonds, XCAP Securities

Karelian Management Team

Professor Richard Conroy (Chairman)

Professor Richard Conroy has been involved in natural resources for many years. He established Trans-International Oil, which was primarily involved in Irish offshore oil exploration, and initiated the Deminex Consortium (which included Deminex, Mobil, Amoco and DSM). Trans-International Oil was merged with Aran Energy in 1979 (which was later acquired by Statoil). Professor Conroy founded Conroy Petroleum and Natural Resources which (as well as being involved in oil production and exploration) in 1986 discovered the Galmoy zinc deposit in Ireland. Conroy Petroleum was also a founding member of the Stone Boy consortium, an exploration group which discovered the Pogo gold deposit in Alaska, now a major producing gold mine. Conroy Petroleum acquired Atlantic Resources in 1992 and was renamed ARCON International Resources. Professor Conroy was Chairman and Chief Executive of Conroy Petroleum/ARCON from 1980 to 1994 before founding Conroy Gold and Natural Resources in 1995. An Emeritus Professor of Physiology in the Royal College of Surgeons in Ireland, Professor Conroy served in the Irish Parliament as a Member of the Senate and was at various times front bench spokesman for the government party in the Upper House on Energy, Industry and Commerce; Foreign Affairs; and Northern Ireland.

Maureen Jones (Managing Director)

Maureen Jones has over 20 years' experience at senior level in the natural resource sector. She is Managing Director of Karelian Diamond Resources and is a founding director of the company. Also a director of Conroy Gold and Natural Resources, she joined Conroy Petroleum and Natural Resources on its foundation in 1980 and was a director and board member of Conroy Petroleum/ARCON from 1986 to 1994. Ms. Jones has a medical background and specialised in the radiographic aspects of Nuclear Medicine before becoming a manager with International Medical Corporation in 1977.

James Jones (Finance Director)

James Jones has been associated with the natural resources industry for many years. A Chartered Accountant, he was a founding director of Karelian Diamond Resources and has served as Finance Director and secretary of the company since its inception. He was finance director of Conroy Petroleum and Natural Resources/ARCON from its formation until 1994. He is also a director of Conroy Gold and Natural Resources.

Seamus P Fitzpatrick (Non-Executive Director)

Seamus FitzPatrick has worked in both corporate finance and private equity in London and New York with Morgan Stanley, JP Morgan and Banker's Trust. In 1999 he co-founded CapVest of which he is Managing Partner (which has raised funds in excess of £2.0 billion). He is Chairman of the Mater Private Hospital and of Valeo Foods and is a board member of Reno Norden. He is also Deputy Chairman of Conroy Gold and Natural Resources.

Louis J. Maguire (Non-Executive Director)

Louis Maguire is an auctioneer by profession and a land valuation expert with particular expertise in the purchase of mineral rights and in land acquisition for mining. He is a director of both Karelian Diamond Resources and Conroy Gold.

Roger I Chaplin (Non-Executive Director)

Mr Chaplin has over twenty five years' experience in mining analysis, gained initially in a major South African mining house and latterly in the City of London. He was Senior Vice President and Mining Analyst at T. Hoare and Co., which later became Canaccord Capital (Europe) Limited in London from 1993 to 2003. Since 2003 he has worked as an independent analyst and as Head of Research for M. Horn & Co. He gained a particular interest in diamonds through following the development of the Canadian diamond mines over the past fifteen years.

Kevin McNulty (Senior Geologist)

Kevin McNulty has over 15 years' international exploration experience. He was involved with Pioneer's (now AngloGold Ashanti's) Teberebie gold mine in Ghana, and with other gold exploration projects in Ghana (including Sefwi and Nangodi). He also worked in Niger and Burkina Faso and South America prior to joining Karelian Diamond Resources in 2005. He is a past President of the Irish Association of Economic Geologists.

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