

26 June 2014

**CONFIDENTIALITY AGREEMENT WITH RIO TINTO MINING
AND EXPLORATION LIMITED EXTENDED TO 2020**

- **Amendment Letter Signed with Rio Tinto to Extend Confidentiality Agreement (with Back in Rights)**
- **Under the Confidentiality Agreement Confidential Information and Geological Samples may be Made Available to Karelian by Rio Tinto**
- **51 per cent. Back in Agreement with Rio Tinto for any Major Diamond or Other Mineral Discovery in Finland**

Karelian Diamond Resources plc (“Karelian”) (AIM:KDR, ESM: KDR.I), the diamond exploration company focussed on the Karelian Craton in Finland, is pleased to announce that it has signed an amendment letter to extend the existing Confidentiality Agreement (with Back in Rights), as announced on 22 July 2010, with Rio Tinto Mining and Exploration Limited (“Rio Tinto”) until 30 June 2020.

Under the Confidentiality Agreement, Rio Tinto may disclose to Karelian confidential information and physical geological samples relating to exploration in Finland for the purpose of Karelian considering that information in relation to Karelian’s potential and existing exploration programmes in Finland.

In consideration of Rio Tinto disclosing the confidential information to it, Karelian has agreed that Rio Tinto will have the option (exercisable at its discretion) to earn a 51 per cent interest in any project identified by Karelian in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project subject to the following conditions:

1. For diamond projects the option will be triggered if Karelian completes 10 tons or more of bulk sampling for diamond exploration; and
2. 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 3 million ounces of gold in a JORC compliant resource calculation.

The Karelian Craton, which is the focus of Karelian’s exploration programme in Finland extends across Finland and northwest Russia and is comparable in size to the diamond rich Slave Lake Craton in Canada. Two world class diamond deposits, Lomonosova and the Grib Pipe, have been discovered in the Russian sector of the Karelian Craton and the

Russian company, Alrosa, which is the world's largest diamond miner, has indicated that this new diamond region will represent almost all its future growth.

Professor Richard Conroy, Chairman, commented:

“I am delighted that this Confidentiality Agreement with Rio Tinto has been extended until 2020. This has been a very positive relationship in which the confidential information and physical samples made available to Karelian have been a major addition to Karelian's existing knowledge base and mineral exploration programme and to its objective of making a major diamond discovery in the Finnish sector of the Karelian Craton comparable to the world class discoveries made on the Russian side.”

Further Information:

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