

*Dissemination of a regulatory announcement that contains inside information according to  
Regulation (EU) No 596/2014 (MAR)*



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

## **Debt Capitalisation**

**3 September 2019**

Karelian Diamond Resources plc ("Karelian") (AIM: KDR), the diamond exploration company focussed on Finland, is pleased to announce that Professor Richard Conroy, Chairman of the Company, has capitalised loans amounting to €71,429 (equivalent to c.£65,000) into 1,625,000 new ordinary shares of nominal value €0.00025 each ("Ordinary Shares") in the capital of the Company (the "Capitalisation"). The Capitalisation has been undertaken at a price of 4 pence per Ordinary Share (the "Capitalisation Price"), which represents a premium of approximately 27 percent to the closing mid-market price on Monday 2 September 2019 of 3.15 pence per Ordinary Share.

The remaining outstanding debt owing to Professor Conroy is now €86,208 and the Company and Professor Richard Conroy have entered into an agreement to formalise the terms of the outstanding debt. The debt will continue to be non-interest bearing and does not have a repayment date. Under the agreement that has been entered into it has been agreed with the Company and Professor Conroy that the outstanding debt of €86,208 shall be capable of being capitalised into new ordinary shares in the Company with the price of any capitalisation to be the mid-market price on the date of capitalisation or the Company can decide to repay the outstanding debt should the Company have sufficient funds to do so.

An application has been made for the new Ordinary Shares issued under the Capitalisation to be admitted to trading on AIM with effect from 9 September 2019 ("Admission"). Following Admission, Professor Richard Conroy will have an interest in 8,413,912 Ordinary Shares, representing approximately 21.8 percent of the Company's issued Ordinary Shares and total voting rights. The interest of Professor Conroy comprises 7,181,311 Ordinary Shares held in his own name and 1,232,601 Ordinary Shares held by Conroy PLC, a company in which Professor Conroy holds a controlling interest.

Professor Richard Conroy's participation in the Capitalisation and the entering into of a new agreement in respect of the outstanding debt are related party transactions under the AIM

Rules for Companies. The board of directors of the Company, other than Professor Conroy, consider, having consulted with Allenby Capital Limited, the Company's nominated adviser, that the terms of the Capitalisation and the new agreement entered into are fair and reasonable insofar as the Company's shareholders are concerned.

Following the Capitalisation, and for the purposes of the Disclosure Guidance and Transparency Rules, the Company's total issued share capital on Admission will consist of 38,614,178 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 Guidance and Transparency Rules.

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