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

6 December 2018

POSITIVE DRILLING RESULTS – FINLAND RIIHIVAARA KIMBERLITE

FURTHER EVIDENCE OF DIAMONDIFEROUS POTENTIAL INDICATED BY DRILLING

Karelian Diamond Resources plc ("Karelian Diamonds") (AIM: KDR), the diamond exploration and development company focused on Finland, is pleased to announce positive drilling results from its Riihivaara Kimberlite discovery in the Kuhmo region of Eastern Finland.

The objective of the programme was designed to intersect kimberlite at a deeper level in bedrock where previous pitting had discovered a kimberlite near surface. The drilling was also to provide additional kimberlite for geological studies and micro-diamond test work.

Within this announcement the Company's technical team have also provided further explanatory notes to explain the technical elements of this release and this can be found below the Chairman's comments.

Furthermore at the bottom of this announcement is a "Company Background" section detailing the strategic approach of the Company and the progress achieved to date.

Highlights:

- The drilling programme has successfully intersected kimberlite at a deeper level and has also shown that the body dips circa 50° to the NE;
- Drilling provided Kimberlite material for scanning electron microscopy ("SEM") and thin section studies at the Geological Survey of Finland ("GTK") laboratories which have indicated diamondiferous potential;
- Kimberlite core was collected which has been used in geological studies to ascertain the type of kimberlite – it is an Orangeite (a Group II Kimberlite) and it has provided material as part of a bigger programme to test for micro-diamonds;
- SEM studies of the Riihivaara Kimberlite drill core confirm it is Orangeite (Group II Kimberlite);
- Diamondiferous potential indicated by thin section and SEM studies; and
- G10 garnet grain shows that the Kimberlite includes mantle material.

This release has been approved by Kevin McNulty PGeo, who is a member of the Company's technical staff and holds a BSc/MSc in Geology and Remote Sensing, in accordance with the guidance note for Mining, Oil & Gas Companies issued by the London Stock Exchange in respect of AIM Companies, which outlines standards of disclosure for mineral projects.

Dr. Hugh O'Brien, Kimberlite specialist with the GTK commented: "Finding such a grain ("a G10") in a thin section indicates there is likely a significant mantle content in this rock type and it is a good indication of a significant mantle carrying capacity of the magma. If the underlying mantle contains diamonds, the kimberlite may be diamondiferous."

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc commented: "These results enhance our understanding of the Riihivaara Kimberlite and the potential of this Kimberlite to be diamondiferous and of the overall diamond potential of the Kuhmo region of Finland."

As such the results today are a significant step forward for the project, its technical team and generally for the Company. As a result we are pushing ahead and the next step is to collect enough material for a substantial micro-diamond sample and demonstrate that the sample holds diamonds.

Further information in this regard will follow."

FURTHER DRILL PROGRAMME INFORMATION

- Kimberlite intersected by drilling on its Riihivaara Kimberlite discovery where previous pitting had discovered a Kimberlite on surface.
- Thin sections and SEM studies of the Kimberlite material confirmed it as an Olivine bearing, mica-rich Orangeite (Group II Kimberlite) with mantle-derived xenocrysts.
- Good indications of a significant mantle carrying capacity of the magma reported. Should this mantle contain diamonds, the Kimberlite may be diamondiferous.
- Pyrope xenocryst which was observed in thin section and analysed by SEM plots as a G10 garnet grain demonstrating that the Kimberlite includes mantle material.
- A total of 56.2 metres were drilled through six short inclined holes, varying in depth from 5.50m to 14.30m, of which three intersected Kimberlite.
- The Kimberlite consists of a dyke 1-2m wide at surface. The drilling indicates that the dyke dips circa 50° to the NE.

The drill hole intersections were as follows:

- KDR 18-06/2 intersected 0.35m of Kimberlite from the base of the glacial till overburden at 4.00m. The total hole depth was 7.60m. This hole intersected the dyke margin.
- KDR 18-06/4 intersected 4.10m of Kimberlite from the base of the glacial till overburden at 6.20m. The total hole depth was 13.10m.
- KDR 18-06/6 intersected 5.50m of Kimberlite from the base of the glacial till overburden at 6.00m. The total hole depth was 14.30m.

Further exploration of the Riihivaara kimberlite body is planned to extend the kimberlite and acquire material for micro-diamond analysis.

ORANGEITE (GROUP II KIMBERLITE)

Orangeite (Group II Kimberlite) is a potentially diamondiferous host rock. The name Orangeite comes from its first discovery near the Orange River in what was then the Orange Free State in South Africa. Best known example of mined Orangeite is the major Finsch diamond mine 165km west of Kimberley in the Northern Cape Province in South Africa.

SCANNING ELECTRON MICROSCOPY (“SEM”)

Scanning electron microscopy “SEM” gives the major element compositional data of the mineral grains. These mineral grains (Garnets, Chromite’s and Ilmenites) are more common and more easily found than diamonds. We look at this specifically for Garnets where we plot Cr₂O₃ weighted % versus CaO weighted % where you want high values in Cr₂O₃ and low values in CaO as these garnets form within the Mantle at the same pressures and temperatures as diamonds. Chromite’s we look at Cr₂O₃ weighted % versus MgO weighted % where you want high values in both. We also look at Cr₂O₃ weighted % versus TiO₂ weighted % in Chromite’s.

THIN SECTION STUDIES

Most minerals are transparent when examined in sufficiently thin slices. Mineralogists and petrologists make use of such slices to study the optical properties of minerals. This enables the identification of these minerals (Garnets, Chromite’s and Ilmenites etc.) and rock type. These minerals can then be analysed using equipment like the Scanning electron microscopy “SEM” to give their major element compositional data.

MANTLE MATERIAL

A kimberlite (hot fluid rock like a mini volcano) acts like a conveyor to carry / transport diamonds in peridotite and eclogitic xenoliths from deep in the earth up to surface. Gem-sized diamonds only crystallize at depths of around 140–150 km or greater. This area is referred to as the mantle (depending on the geotherm). Where the mantle has been stable over billions of years, there is the right balance of heat, pressure, and low oxygen conditions for carbon to exist as diamond. Peridotite and eclogitic xenoliths carry other minerals like garnets and chromite’s also form within the Mantle at the same pressures and temperatures as diamonds. Four of the six major kimberlite indicator minerals (KIMs) used in diamond exploration, Cr-pyrope garnet, Cr-diopside, chromite and Mg-olivine (forsterite), are mainly xenocrysts derived from disaggregation of peridotite xenoliths, as are diamonds.

We know the detailed chemistry of these minerals (garnets and chromite’s) by the analysis of these minerals that are present as inclusions in diamonds. This enables us to know if they were formed at the same heat, pressure, and low oxygen conditions for carbon to exist as diamond.

Therefore having certain types of mantle material can show that the kimberlite collected material from the same depths as diamonds.

For further information please contact:

Karelian Diamond Resources plc
Professor Richard Conroy, Chairman
Allenby Capital Limited (Nomad)

Tel: +353-1-479-6180

Tel: +44-20-3328-5656

Nick Harriss/Nick Athanas

Brandon Hill Capital Limited (Broker)

Tel: +44-20-3463-5000

Jonathan Evans

Lothbury Financial Services

Tel: +44-20-3290-0707

Michael Padley

Hall Communications

Tel: +353-1-660-9377

Don Hall

www.kareliandiamondresources.com

KARELIAN DIAMOND RESOURCES – COMPANY BACKGROUND:

The diamond prospectivity of the Karelian Craton, which lies across Northern Finland and Russia, has been demonstrated by the discovery of two major diamond deposits, Lomonosov and the Grib pipe, in the Russian section of the Craton. Both are now in production as world class diamond mines.

The primary business interest and objective of the Company's diamond project in Finland is the discovery of one or more similar sized diamond deposits in the Finnish sector of the Karelian Craton.

To that end the Company initiated a diamond exploration programme in Finland which has led to the discovery of a diamond in till, together with two new kimberlite bodies Riihivaara and Anomaly 5, in the Kuhmo region of eastern Finland.

Kimberlite bodies often occur in clusters and the Company has identified a further sixteen kimberlite indicator anomalies in the same area, suggesting that the Kuhmo Region could ultimately host a significant number of Kimberlite bodies.

The Company has also acquired exploration rights over the Seitaperä kimberlite body, in the Kuhmo region, and has demonstrated that it is 6.9 Ha in size, the largest diamondiferous kimberlite in Finland, and comparable to the Lomonosov diamond deposit in both size and geological characteristics.

The Company has also acquired the Lahtojoki diamond deposit in Kuopio – Kaavi region of Finland together with a mining concession over the deposit in the belief that the deposit has the potential to become a profitable low strip ratio open pit diamond mine.

A PEA conducted by the Company on the Lahtojoki deposit has been positive both technically and financially. A +1mm recoverable grade of 39.7 Carats Per Hundred Tonnes (cpht) is indicated and high quality stones have been observed within the diamonds recovered to date.

In addition, adjacent to the Lahtojoki Deposit, kimberlite boulders have been discovered, which are of a different form of kimberlite to that found in Lahtojoki. The Company is therefore following up the source of these boulders to identify an as yet undiscovered kimberlite, which could add further to the technical and financial attractiveness of the Lahtojoki deposit.

The Company and Rio Tinto Mining and Exploration Limited ("Rio Tinto") concluded a Confidentiality Agreement (with Back in Rights) in July 2010. Under the agreement, Rio Tinto have disclosed to the Company confidential information and physical geological samples relating to exploration in Finland for the purpose of the Company considering that information in relation to Karelian Diamond Resource's potential and existing exploration programmes in Finland.

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

For diamond projects the option will be triggered if Karelian Diamonds completes 10 tons or more bulk sampling for diamond exploration; and for all other minerals the option will be triggered if Karelian Diamonds discovers a resource with an in situ value that is equal to or greater than the in situ value of 3 million ounces of gold in a JORC compliant resource calculation.

Karelian Diamonds has signed an amendment letter to extend this Confidentiality Agreement (with Back in Rights) with Rio Tinto until 30 June 2020.