



*THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 (WHICH FORMS PART OF DOMESTIC UK LAW PURSUANT TO THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("EUWA")) ("UK MAR"). IN ADDITION, MARKET SOUNDINGS (AS DEFINED IN UK MAR) WERE TAKEN IN RESPECT OF CERTAIN OF THE MATTERS CONTAINED WITHIN THIS ANNOUNCEMENT, WITH THE RESULT THAT CERTAIN PERSONS BECAME AWARE OF INSIDE INFORMATION (AS DEFINED UNDER UK MAR). UPON THE PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THOSE PERSONS THAT RECEIVED INSIDE INFORMATION IN A MARKET SOUNDING ARE NO LONGER IN POSSESSION OF SUCH INSIDE INFORMATION, WHICH IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.*

## **Karelian Diamond Resources plc**

("Karelian Diamonds" or the "Company")

### **Financing of £600,000**

Karelian Diamond Resources plc (AIM: KDR), the diamond exploration company focused on Finland, is pleased to announce a placing and subscription to raise a total of £520,000 (before expenses) (the "**Fundraising**") in conjunction with the conversion of £80,000 of existing debt into new ordinary shares in the Company (the "**Debt Capitalisation**") for a total financing of £600,000 (the "**Financing**").

### **HIGHLIGHTS**

- Karelian Diamonds has raised funds to conduct drilling at its 100% owned Lahtojoki diamond deposit, investigate the prevalence of pink diamonds discovered at site and, following new results released from its ongoing diamond exploration programme in the Lahtojoki South exploration area, continue work to identify other potentially diamondiferous kimberlite structures in the vicinity.
- The Preliminary Economic Assessment ("PEA") of the Lahtojoki diamond deposit, based on earlier data and details of which were announced by the Company on 1 August 2017, stated the diamond deposit has 2.11 million carats potentially recoverable with a gross value of US\$211 million over a 9-year mine life, with a capital expenditure of US\$22 million, resulting in a Net Present Value (calculated using 8%) of US\$39.1 million.
- The Karelian Craton (Baltic Shield) straddles Finland and Russia and is larger in area than the diamond rich Canadian Slave Lake Craton. The Company plans to also carry out geophysics at its second target district, being the Kuhmo region of Eastern Finland, to continue to build evidence of further diamond deposits.
- The work planned at the primary Lahtojoki deposit is intended to elevate it to test mining stage (bulk sampling) in the lead up to the anticipated granting of its mining permit which is currently in the final stages of the formal approval process.

## FINANCING SUMMARY

The Financing was arranged at 4 pence per share (the “**Issue Price**”), representing a discount of 11 per cent. to the closing bid price of 4.5 pence on 27 May 2021.

- Placing and subscription of 13,000,000 ordinary shares of €0.00025 each (“**Ordinary Shares**”) at a price of 4 pence per Ordinary Share to raise £520,000 before expenses (the “**Financing Shares**”).
- In conjunction with the Fundraising certain parties, including Professor Richard Conroy (Chairman of the Company) and Maureen Jones (Managing Director of the Company), have also capitalised amounts owed to them totalling £80,000 through the issue of 2,000,000 new Ordinary Shares at the Issue Price (the “**Debt Capitalisation Shares**”).
- The Financing increases the Company’s exploration capacity and strengthens its working capital position.
- Each Financing Share and Debt Capitalisation Share carries a warrant to subscribe for one new Ordinary Share at a price of 8 pence per Ordinary Share exercisable for a period of 30 months from the admission to trading on AIM of the Financing Shares and the Debt Capitalisation Shares (“**Admission**”), creating 15,000,000 Financing Warrants.
- The Fundraising has been arranged by the Company’s broker, First Equity Limited, who will be issued with 1,250,000 Financing Warrants.
- Should all the above Financing Warrants be exercised on or before 9 December 2023, this would generate an additional £1,300,000 of funding for the Company over and above the amount secured through this Financing. There can be no guarantee that any warrants will be exercised in the future and that additional proceeds will be received by the Company.
- The Financing Shares will represent approximately 19.0 per cent. of the enlarged issued share capital of the Company and has been issued to a combination of mainly new investors and certain existing shareholders. The Financing comprises 12,250,000 new Ordinary Shares to be issued to investors pursuant to a placing arranged by First Equity Limited and 750,000 new Ordinary Shares to be issued to certain existing shareholders pursuant to a subscription with the Company.
- The Debt Capitalisation Shares will represent approximately 2.9 per cent. of the enlarged issued share capital of the Company.
- The Financing has been conducted within the Company’s existing share authorities and is conditional on admission of the Financing Shares and the Debt Capitalisation Shares to trading on AIM becoming effective.

***Professor Richard Conroy, Chairman, commented:** “I am delighted with the success of the fundraising which comes as we look to receive a full Mining Permit for our Lahtojoki diamond deposit, with its exciting potential for pink diamonds, and also progress with our promising diamond exploration programme both around Lahtojoki and in the known diamondiferous Kuhmo region of Finland”.*

## **DEBT CAPITALISATION**

In conjunction with the Financing and conditional on Admission, Professor Richard Conroy (Chairman of the Company) and Maureen Jones (Managing Director of the Company), have capitalised amounts owed to them totalling £80,000. The debts will be satisfied through the issue by the Company of a total of 2,000,000 Debt Capitalisation Shares. The Debt Capitalisation Shares will have Financing Warrants attached.

Professor Richard Conroy is capitalising a total of £74,000 into 1,850,000 Debt Capitalisation Shares at the Issue Price and will be issued with 1,850,000 Financing Warrants. Upon completion of the Financing, Professor Richard Conroy will be interested in 10,263,912 Ordinary Shares equivalent to 14.97% of the enlarged issued share capital of the Company and 1,850,000 Financing Warrants. The interest of Professor Conroy comprises 9,031,311 Ordinary Shares held in his own name and 1,232,601 Ordinary Shares held by Conroy PLC, a company in which Professor Conroy has a controlling interest.

Maureen Jones is capitalising a total of £6,000 into 150,000 Debt Capitalisation Shares at the Issue Price and will be issued with 150,000 Financing Warrants. Upon completion of the Financing, Maureen Jones will be interested in 789,990 Ordinary Shares equivalent to 1.15% of the enlarged issued share capital of the Company and 150,000 Financing Warrants.

## **RELATED PARTY TRANSACTIONS**

Professor Richard Conroy, a director of the Company and therefore a related party of the Company for the purposes of the AIM Rules for Companies, has participated in the Debt Capitalisation and is being issued with 1,850,000 Debt Capitalisation Shares at the Issue Price and 1,850,000 Financing Warrants. The participation by Professor Richard Conroy in the Debt Capitalisation is deemed to be a related party transaction pursuant to rule 13 of the AIM Rules for Companies.

Maureen Jones, a director of the Company and therefore a related party of the Company for the purposes of the AIM Rules for Companies, has participated in the Debt Capitalisation and is being issued with 150,000 Debt Capitalisation Shares at the Issue Price and 150,000 Financing Warrants. The participation by Maureen Jones in the Debt Capitalisation is deemed to be a related party transaction pursuant to rule 13 of the AIM Rules for Companies.

The Independent Directors of the Company for the purposes of the Financing (being Seamus Fitzpatrick, Dr Sorca Conroy, Brendan McMorrough and Howard Bird) consider, having consulted with the Company's nominated adviser, Allenby Capital Limited, that the terms of the related party transactions are fair and reasonable insofar as the Company's shareholders are concerned.

## **ADMISSION, WARRANTS AND TOTAL VOTING RIGHTS**

The issue of the Financing Shares, the Debt Capitalisation Shares and the possible issue of new Ordinary Shares from the exercise of the Financing Warrants, will be undertaken pursuant to the Company's existing share authorities.

An application will be made shortly to the London Stock Exchange for Admission of the Financing Shares and the Debt Capitalisation Shares. It is expected that Admission will become effective and that dealings in the Financing Shares and the Debt Capitalisation Shares on AIM

will commence on or around 9 June 2021. The Ordinary Shares now settle as CREST Depository Interests (“CDI”).

First Equity Limited will be issued with 1,250,000 Financing Warrants as part of their role in arranging the Fundraising. These Financing Warrants will be on the same terms as the Financing Warrants issued pursuant to the Fundraising and Debt Capitalisation.

Upon completion of the Financing, there will be a total of 16,250,000 Financing Warrants in issue.

The Financing Warrants will not be admitted to trading on AIM or any other stock market and will not be transferable. The issuance of the Warrants is subject to Admission.

In accordance with the FCA’s Disclosure Guidance and Transparency Rules, the Company confirms that on completion of the Financing and the Debt Capitalisation, and following Admission, the Company’s enlarged issued ordinary share capital will comprise 68,542,749 Ordinary Shares.

The Company does not hold any Ordinary Shares in Treasury. Therefore, following Admission, the above figure may be used by shareholders in the Company as the denominator for the calculations to determine if they are required to notify their interest in, or a change to their interest in the Company, under the FCA’s Disclosure Guidance and Transparency Rules.

Further information is available through the Company’s website: [www.kareliandiamondresources.com](http://www.kareliandiamondresources.com)

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