

MINING FLASHNOTE

Karelian Diamond Resources (KDR AIM)

07 December 2018

Stock Data

Share Price:	3.90p
Market Cap (M):	£1.3
EV (M):	£1.5

Price Chart



52 Week Range

9.375p	3.90p	3.175p
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Company Summary

Karelian Diamond Resources was established in 2005 following the purchase of Karelian Diamonds Limited and Nordic Diamonds Limited. The company is currently exploring for diamonds in Finland.

MAIN SHAREHOLDERS HOLDING

Conroy Richard	11.91%
Hargreaves Lansdown AM	10.07%
Halifax Share Dealing	7.31%
Richard Taberner	7.02%

Source: Bloomberg, Karelian Diamonds

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Karelian Announces Further Evidence of Diamondiferous Potential at Rihivaara

Event

Karelian Diamond Resources plc ("Karelian") has announced positive drilling results from its Rihivaara Kimberlite discovery in the Kuhmo region of Eastern Finland.

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 - an Orangeite (Group II Kimberlite) and has provided material as part of a bigger programme to test for micro-diamonds;
- Diamondiferous potential indicated by thin section and SEM studies
- G10 garnet grain shows that the Kimberlite includes mantle material

Comment

The reason why three of the six holes drilled missed the reef was because Karelian had not known that the reef dipped. Now that this has been ascertained, future drilling will be able to be far more accurately targeted.

The very fact that an indicator mineral, in this case a G10 type garnet was found in a thin section is very positive. This is proof that the kimberlite under investigation is mantle derived, a very strong indication that the kimberlites has diamondiferous potential.

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 and this area is referred to as the mantle. Therefore, the discovery of an indicator mineral in such a small sample shows that kimberlite collected material from the same depths as diamonds.

Diamond exploration is totally different to metalliferous exploration, and is very dependent on indicator minerals and statistics. What is really needed is a small modern state of the art pilot processing plant. This would enable Karelian to quickly process sufficient kimberlite from its discoveries to prove the economics. In addition, the same plant could be used to process the existing bulk samples that already exist at other kimberlites.

Research Disclosures

Peter Rose

Peter has 32 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 11 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 07 December 2018

Company Name	Disclosure
Karelian Diamond Resources (KDR AIM)	1, 2, 7, 8, 9

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