

SEPTEMBER 1, 2005

KARELIAN LISTS ON AIM WITH PORTFOLIO OF DIAMOND PROSPECTS IN FINLAND

- **Focussed On Discovering Potential World-Class Diamond Deposits In Karelian Craton**
 - **Holds 57 Claims Including Those Over A Proven Diamondiferous Kimberlite Pipe**
 - **Planned Programme Includes Drilling, Sampling And Micro-Diamond Analysis**
-

Karelian Diamond Resources plc (“KDR”) is pleased to announce the admission of its shares to trading on AIM today.

KDR is the holding company of a diamond exploration group focussed on discovering a potential world-class diamond deposit in the Finnish sector of the Karelian Craton. This is a block of ancient crustal rocks which occupies much of eastern and northern Finland, extending over the border into Russia.

The potential of the Karelian Craton to host diamond deposits is indicated by major diamond discoveries in the Russian sector of the Craton. These include two world-class deposits: the Grib pipe which is estimated to contain a resource of 98 million tonnes at an average grade of 69 carats per hundred tonnes (cpht) with an estimated *in situ* value of US\$3.7 billion, and the Lomonosova deposit whose diamond reserves are estimated to be worth US\$12.0 billion.

KDR believes that the Finnish sector of the Craton, given its size and potential, is under-explored and, by analogy with the Russian sector, has the potential to host similar world-class diamond deposits.

As of September 1, the group holds a total of 57 claims in Finland, including those covering a proven diamondiferous kimberlite pipe at Seitaperä in the Kuhmo area near the Russian border. The licences are divided on a geographical basis into four separate claim blocks (Lapland, Western Finland, Kuhmo and South-Eastern Finland), all four of which have been independently assessed as “highly prospective for diamonds.”

KDR has developed a close working relationship with the Geological Survey of Finland (GTK) and is able to draw on its expertise, its extensive knowledge of Finnish geology and its excellent technical and laboratory services. KDR employs GTK staff under contract as local consultants and to undertake fieldwork and has benefited greatly from this relationship. In addition, KDR’s senior consultant, Dr Bert Gerryts, is an internationally respected diamond geologist who pioneered the use of indicator minerals and geophysics in diamond exploration.

KARELIAN 2

KDR's planned work programme includes drilling, geophysics, sampling, processing and analysis, including micro-diamond analysis and indicator mineral geochemistry.

Within the Kuhmo block, which includes the claims covering the diamondiferous Seitapera pipe, KDC has recovered diamond indicator pyrope garnets (including G9s and G10s which are formed at the same temperature and pressure as diamonds) as well as chrome diopsides of kimberlitic composition. Sixteen separate indicator mineral anomalies have been identified which, when coupled with the presence of the known diamondiferous kimberlite pipe, suggest that multiple sources for diamonds may exist in the area. KDC's claims cover all of the highest priority targets so far identified.

The management of KDR, together with its staff and consultants, have a track record of success in mineral exploration and look to enhance this record with a major commercial diamond discovery in Finland.

On admission, KDR raised £500,000 (before expenses) through a placement of 10,000,000 ordinary shares at 5 pence each, representing 22.3 per cent of the enlarged issued share capital of 44,771,676 ordinary shares.

Further Information:

Professor Richard Conroy, Chairman Karelian Diamond Resources plc.

Tel: + 353-1-661-8958

Charles Dampney, City Capital Securities Limited.

Tel: + 44-20-7822-7107

Jeffrey Coburn, John East & Partners Limited.

Tel: +44-20-7628-2200

Ron Marshman/John Greenbalgh, City of London PR Limited.

Tel: + 44-20-7628-5518

Don Hall, Hall Communications,

Tel: + 353-1-660-9377