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**KARELIAN IDENTIFIES FIRST DRILLING TARGETS ON ITS
KUHMO CLAIM BLOCK IN EASTERN FINLAND**

- **Ground Geophysics Highlights Drill Targets Within Indicator Mineral Anomaly**
 - **Further 15 Similar Anomalies Scheduled For Systematic Evaluation**
 - **Evidence Of Possible Multiple Diamondiferous Kimberlite Sources in Kuhmo Area**
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AIM-quoted Karelian Diamond Resources plc (KDR) is pleased to announce that it has identified several drilling targets on its diamond exploration acreage in the Finnish sector of the highly prospective Karelian Craton. This follows a ground magnetic survey over one of the 16 separate indicator mineral anomalies previously outlined by the company on its Kuhmo claim block in eastern Finland.

This magnetic survey is part of the Company's programme of systematically evaluating these anomalies by ground geophysics to determine if they represent potential drill targets. The ground geophysics has been carried out on KDR's behalf by the Geological Survey of Finland (GTK), with whom KDR has a long-standing working relationship.

KDR's claims in Finland are grouped on a geographical basis into four blocks, all of which lie within the Karelian Craton. The Kuhmo block is the largest and includes claims covering a proven diamondiferous kimberlite pipe at Seitaperä.

The presence of the pipe shows that the right geochemical conditions to host diamonds occur at Seitaperä. This, coupled with the 16 separate indicator mineral anomalies in the same general area, and the fact that kimberlite pipes typically occur in clusters, suggests that multiple sources of diamonds may exist in the Kuhmo area. For this reason, it is the focus of KDR's initial exploration programme.

Diamondiferous kimberlites are largely confined to ancient stable cratons where the thickness of the earth's crust is sufficient to minimise heat loss and preserve the high temperatures necessary for diamond formation. The Kuhmo area of Finland is characterised by a particularly thick crustal zone.

The potential of the Karelian Craton to host diamonds is indicated by discoveries in the Russian sector of the Craton. These include two world-class deposits: De Beers 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 site value of US\$3.7million, and Alrosa's Lomonosova deposit where diamonds 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 Russian sector, has the potential to host similar world-class diamond deposits.

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