

JULY 18, 2007

KARELIAN PLACEMENT RAISES OVER £1 MILLION FOR ONGOING EXPLORATION IN FINLAND

- **Chairman's Strong Participation Shows Faith In Company's Progress**
 - **15.77m Million Shares Placed At 6.5p Each**
 - **One Three-Year Warrant With Every Three New Shares**
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With strong personal support from its Chairman, Karelian Diamond Resources PLC (AIM:KDR) has raised £1,025,000, before expenses, through a placement of 15.7m ordinary shares at 6.5p each arranged by City Capital Corporation. An application has been made for the new shares to be admitted to trading on AIM, and dealings are expected to commence on July 24. Following the placement, the Company's issued capital will increase to 60,541,676 ordinary shares.

In addition, every three new shares placed are accompanied by the issue of one three-year warrant, exercisable at 10p during the three years following the admission of the new shares to trading. The warrants will not be quoted.

As part of the placing, Karelian Chairman, Professor Richard Conroy, and Conroy Plc, a company in which he has a controlling interest, have agreed to subscribe for a total of 8.5m shares. This increases Professor Conroy's beneficial interest in Karelian to 37,031,701 ordinary shares, representing 60.89p.c. of the enlarged ordinary share capital. Of this total, 30,815,030 shares (50.90p.c.) will be held by Conroy Plc and 6,216,671 shares (10.27p.c.) registered in Professor Conroy's name.

Under the AIM Rules Professor Conroy's participation in the placing (directly and through Conroy Plc) is deemed to be a related party transaction. Karelian's independent directors have reviewed the transaction and, after consulting with the company's nominated adviser, John East & Partners Limited, consider Professor Conroy's participation in the placing to be fair and reasonable as far as the remaining shareholders are concerned.

The remainder of the new shares were placed with institutional investors.

The Company says the net proceeds of the placement will be issued for ongoing diamond exploration on its licences in Finland, the maintenance and renewal of exploration licences, debt repayment and for general working capital.

Karelian is exploring for diamonds in the Finnish sector of the Karelian Craton, with its main focus on the claims in the Kuhmo area which include a known diamondiferous kimberlite at Seitapera. With a surface area of 4.2ha, this is the largest kimberlite found to date in Finland. Within its claims, the company has also identified 50 kimberlite targets based on its programmes of kimberlitic indicator mineral sampling. May of these targets include diamond-specific G9 and G10 garnets.

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[Karelian Share Price](#)

