

5 November 2009



**Karelian Diamond Resources Plc
("KDR" or the "Company")**

FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2009

A PERIOD OF FURTHER POSITIVE FINDINGS

Karelian (AIM: KDR), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2009.

Highlights:

- Capacity Of Seitaperä Pipe To Carry Diamond-Bearing Material Clearly Demonstrated
- Grade Distribution Likely To Be Highly Variable
- Potential For Larger Diamonds To Be Present
- Licence Applications To Cover Two Other Known Kimberlites In Kuhmo Area

Professor Richard Conroy, Chairman, said:

"As a result of the downturn in the diamond market since the final quarter of 2008 we are, wherever possible, limiting our activities to office-based work in order to contain costs whilst we continue to assess additional opportunities in Finland. Given that the findings of our work to date have been positive, both at Seitaperä and in the Kuhmo area generally, we have therefore submitted additional licence applications over areas of particular interest. These include two other known kimberlites in the Kuhmo area – kimberlites 18 (Havukkasuo) and 24 (Lentiira).

"The outlook for diamonds is beginning to improve. Although stocks of both rough and polished stones remain high, we are encouraged by recent comments from De Beers that the pace of recovery in the rough diamond market is beginning to pick up. This is a particularly significant development given that the diamond industry was among the hardest hit by the global financial crisis."

Further enquiries:

Karelian Diamond Resources Plc
Professor Richard Conroy

Tel: 00 353 1 661 8958

Merchant John East Securities Limited
Simon Clements / Virginia Bull

Tel: 020 7628 2200

City Capital Corporation Limited
Charles Dampney

Tel: 020 3178 3399

Lothbury Financial Limited
Ron Marshman / Michael Padley

Tel: 020 7011 9411

<http://www.kareliandiamondresources.com>

Chairman's Statement

I have pleasure in presenting your Company's Annual Report and Financial Statements for the year ended 31 May 2009. This was a year during which your Company made further progress with its diamond exploration programme in Finland and clearly demonstrated the capacity of the Seitaperä kimberlite pipe to carry diamond-bearing material.

A full mineralogical study of all the Seitaperä micro-diamonds recovered to date, including the 67 micro- and macro-diamonds recovered from a 100.20 kg sample as reported in July 2008, has been completed at MCC Geoscience of Vancouver, Canada. The results indicate that the grade distribution in the Seitaperä Kimberlite is likely to be highly variable, a feature common to the diatreme root zones of many kimberlites. At this point, however, it is not possible to estimate an overall bulk diamond grade.

These findings suggest that there is potential for larger diamonds to be present in the Seitaperä pipe, however, the majority of the kimberlite, including the new northeast extension, remains untested. In view of the present state of the diamond market, the Company will not at this stage proceed with the extensive further drilling and micro-diamond sampling that will be required to adequately test a kimberlite of this size (6.9ha). Nevertheless, the Company will continue with evaluation work and advancing its diamond claim applications in Finland.

There has been only limited historical diamond exploration in the Kuhmo area, but when this is considered in conjunction with the results achieved by Karelian, the area's potential for diamondiferous kimberlites is clearly demonstrated. As a result of these encouraging indications, your Company has applied for licences covering the two other known Kimberlite occurrences in the area – Kimberlites 18 (Havukkasuo) and 24 (Lentiira).

The Company also continues to explore in the Joensuu area of Eastern Finland, where recent sampling programmes recovered kimberlite indicator minerals, including G9 and G10 garnets. These results, taken in conjunction with those from earlier work, increase the likelihood that the Joensuu area could also contain a number of kimberlite pipes.

Financials

The loss after taxation for the year ended 31 May 2009 was €194,126 (2008: €268,638) and the net assets as at 31 May 2009 were €3,712,312 (2008: €3,865,379).

As in previous years, I have supported the working capital requirements of the Company and in the period under review have advanced loans to the value of €238,022 and the balance of the loans due to me at the period end was €719,993. The loans have been made on normal commercial terms.

The other Directors consider, having consulted with the Company's Nominated Adviser, that the terms of these loans are fair and reasonable in so far as the Company's shareholders are concerned.

Auditors

I would like to take the opportunity of thanking the partners and staff of Deloitte and Touche for their services to your Company during the course of the year.

Directors, Consultants and Staff

I would also like to express my deep appreciation of the support and dedication of the Directors, Consultants and Staff, which has made possible the continued progress which your company has achieved.

Future Outlook

Despite the downturn in the diamond market, we will continue to evaluate opportunities to enhance shareholder value. In view of the positive findings to date, both at Seitaperä and in

the Kuhmo area generally, we will press on with our applications for licences over the other known kimberlites in the Kuhmo area as well as licence applications in the Joensuu area. We look forward with confidence to a successful future.

Professor Richard Conroy
Chairman

5 November 2009

INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2009

	2009	2008
	€	€
OPERATING EXPENSES	(194,342)	(280,720)
Other income	216	12,082
LOSS BEFORE TAX	(194,126)	(268,638)
Taxation	-	-
LOSS RETAINED FOR THE YEAR	(194,126)	(268,638)
Loss per ordinary share	(€0.0032)	(€0.0046)

**BALANCE SHEET
AT 31 MAY 2009**

	2009	2008
	€	€
ASSETS		
Non-current Assets		
Intangible assets	4,883,865	4,221,785
Financial assets	4	4
Property, plant and equipment	1,089	1,173
	<hr/>	<hr/>
	4,884,958	4,222,962
Current Assets		
Trade and other receivables	10,222	50,441
Cash and cash equivalents	7,666	35,430
	<hr/>	<hr/>
	17,888	85,871
	<hr/>	<hr/>
Total assets	4,902,846	4,308,833
EQUITY AND LIABILITIES		
Capital and Reserves		
Called up share capital	605,416	605,416
Share premium	3,801,202	3,801,202
Share based payments reserve	128,685	87,626
Retained earnings	(822,991)	(628,865)
	<hr/>	<hr/>
Total equity	3,712,312	3,865,379
Non-current Liabilities		
Trade and other payables: Amounts falling due after more than one year	719,993	238,022
	<hr/>	<hr/>
Total non-current liabilities	719,993	238,022
Current liabilities		
Trade and other payables: Amounts falling due within one year	470,541	205,432
	<hr/>	<hr/>
Total Current Liabilities	470,541	205,432
	<hr/>	<hr/>
Total Liabilities	1,190,534	443,454
	<hr/>	<hr/>
Total Equity and Liabilities	4,902,846	4,308,833

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2009**

	2009	2008
	€	€
Cash generated by/(used in) operations	118,876	(196,010)
Tax paid	-	-
Net cash generated by/(used in) operating activities	<u>118,876</u>	<u>(196,010)</u>
Cash flows from investing activities		
Investment in exploration and evaluation	(628,611)	(553,053)
Net cash used in investing activities	<u>(628,611)</u>	<u>(553,053)</u>
Cash flows from financing activities		
Issue of share capital	-	1,429,254
Shareholder loans	481,971	(760,163)
Net cash generated from financing activities	<u>481,971</u>	<u>669,091</u>
Decrease in cash and cash equivalents	(27,764)	(79,972)
Cash and cash equivalents at beginning of year	<u>35,430</u>	<u>115,402</u>
Cash and cash equivalents at end of year	<u>7,666</u>	<u>35,430</u>

Notes to the Financial Statements

1. Publication of non-statutory accounts

The financial information set out in this preliminary announcement is abbreviated accounts as defined in Section 19 of the Companies (Amendment) Act 1986.

The financial information for the period ended 31 May 2009 have been extracted from the Company's financial statements to that date which have received an unqualified auditors' report but have not yet been delivered to the Registrar of Companies.

2. Earnings per share

The calculation of the loss per ordinary share of €0.0032 (2008 - €0.0046) is based on the loss for the financial year of €194,126 (2008 – €268,638) and the weighted average number of ordinary shares on a basic and fully diluted basis during the year of 60,541,676 (2008 – 57,913,343).

Since the Company incurred a loss the effect of share options and warrants would be anti-dilutive.

3. Dividends

No dividends were paid or are proposed in respect of the period ended 31 May 2009.

4. Copy of Accounts

A copy of the Annual Report and Financial Statements will be available on the Company's website www.kareliandiamondresources.com and will be available from the Company's registered office, 10 Upper Pembroke Street, Dublin 2. It will also be forwarded to shareholders who requested a hard copy.