



March 31, 2009

- **Latest micro-diamond results at Seitaperä return one positive outcome**
- **Full mineralogical study indicates variable micro-diamond distribution with extensive stone breakage during processing**
- **Company is proceeding with evaluation and claim applications in Finland despite diamond market downturn**

Karelian Diamond Resources (AIM:KDR), is pleased to announce results from micro-diamond testing of material extracted during the recent drilling programme on its Seitaperä diamondiferous kimberlite pipe in the Kuhmo region of Finland. A total of 700 kg of material was extracted from which four composite samples, each of 50 kg, have been tested to date.

One of these samples returned a positive micro-diamond result, yielding a white translucent fragment measuring 0.20x0.17x0.06 mm, a translucent fragment measuring 0.20x0.14x0.03 mm and a white translucent octahedral showing 99% preservation measuring 0.12x0.11x0.11 mm. The other three samples tested did not contain micro-diamonds.

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 now been completed by MCC Geoscience of Vancouver, Canada. This indicates 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. It is not possible to estimate an overall bulk diamond grade at this point.

An investigation of diamond surface characteristics as part of the study indicated that a substantial proportion (approximately 60%) of the micro-diamonds recovered are in fact fragments of a larger diamond or diamonds which were present in the mantle xenoliths and broke apart during processing. The majority of diamonds underwent only limited resorption (the process by which, due to heat and pressure, diamonds can be absorbed into magna) and were well-preserved within their mantle host. As such, diamonds in Seitaperä are sparsely and irregularly distributed, but follow a relatively coarse size distribution.

These findings suggest that there is the potential for larger diamonds to be present in Seitaperä, and the majority of the kimberlite, including the new northeast extension, remains untested. However, 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 (6.9 ha). Nevertheless, the Company will continue with evaluation work and advancing its claim applications in Finland.

KARELIAN 2

Professor Richard Conroy, Chairman of Karelian, commented:

“Despite the downturn in the diamond market, we will continue to evaluate the situation. In view of the positive findings to date, both at Seitaperä and in the Kuhmo area generally, we will press on with our application for licences over the other known kimberlites in the Kuhmo area as well as licence applications in the Joensuu area.”

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