

16 December 2010



Karelian Diamond Resources Plc (the "Company")

Placing to raise £350,000

- **Placing of 11,666,666 new ordinary shares at 3 pence per share and 3,888,888 warrants to subscribe for ordinary shares at 5 pence to raise £350,000 before expenses**
- **Proceeds of the placing to be applied to develop various prospects in Finland**

Karelian (AIM:KDR, ESM:KDR.I), the diamond exploration company focused on Finland, announces that it has conditionally raised £350,000, before expenses, through a placing (the "Placing") of 11,666,666 ordinary shares ("Placing Shares") and warrants to subscribe for 3,888,888 ordinary shares of EUR 0.01 in the capital of the Company ("Ordinary Shares") ("Placing Warrants"). The Placing Shares have been placed at a price of 3 pence per Placing Share (the "Placing Price") and the Placing Warrants can be exercised at 5 pence per Ordinary Share at any time from the date of admission of the Placing Shares to trading on AIM and the Enterprise Securities Market operated by the Irish Stock Exchange Limited ("ESM") ("Admission") until the second anniversary of Admission.

The Placing Shares were placed with institutional and retail investors by XCAP Securities Plc ("XCAP"). The Placing is conditional, inter alia, on Admission. The Placing Shares will rank *pari passu* with the existing issued Ordinary Shares.

The Company intends to use the net proceeds of the Placing, amounting to approximately £326,000, primarily to fund the Company's various prospects in Finland and for working capital generally.

Application has been made to AIM and ESM for the Placing Shares to be admitted to trading. Admission and trading in the Placing Shares are expected to commence on 23 December 2010.

On Admission of the 11,666,666 Placing Shares, the Company will have 72,208,342 Ordinary Shares in issue in total.

Professor Richard Conroy, Chairman, commented:

"These additional funds will allow us to accelerate the processing and interrogation of the considerable amount of data that is being made available by Rio Tinto. This data is complementary and builds upon our very encouraging work to date. We are confident the team can use this information to quickly expand our knowledge and make further progress towards our objective of making a world class diamond discovery in Finland comparable to those made across the border in Russia."

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc	Tel: +353-1-661-8958
Simon Clements/Virginia Bull, Merchant Securities Limited (Nomad)	Tel: +44-20-7628-2200
John Grant/ Karen Kelly/ David Lawman, XCAP Securities PLC (Broker)	Tel: +44-20-7101 7070
John Tuite, IBI Corporate Finance Limited (ESM Adviser)	Tel: +353-1-637-7800
Michael Padley/Michael Spriggs, Lothbury Financial Services	Tel: +44-20-7868-2010
Don Hall, Hall Communications	Tel: +353-1-660-9377

<http://www.kareliandiamondresources.com>