

KARELIAN DIAMOND RESOURCES PLC

Placing to Raise £700,000

- **Placing of 20,000,000 new ordinary shares at 3.5 pence per share and 6,666,666 warrants to subscribe for Ordinary Shares at 6 pence to raise £700,000 before expenses**
- **Proceeds of the placing to be applied to develop various prospects in Finland**
- **Exploration programme includes drilling on the known diamondiferous kimberlite pipes and targets**

Karelian Diamond Resources plc (“Karelian”) (AIM: **KDR**, ESM: **KDRI**), the diamond exploration company focussed on Finland, announces that it has conditionally raised £700,000, before expenses, through a placing (“the Placing”) of 20,000,000 ordinary shares (“Placing Shares”) and warrants to subscribe for 6,666,666 Ordinary Shares of EUR0.01 in the capital of the Company (“Ordinary Shares”) (“Placing Warrants”). The Placing Shares have been placed at a price of 3.5 pence per Placing Share (“the Placing Price”) and the Placing Warrants can be exercised at 6 pence per Ordinary Share at any time from the date of admission of the Placing Shares until the second anniversary of admission to trading on the AIM Market operated by the London Stock Exchange (“AIM”) and the Enterprise Securities Market operated by the Irish Stock Exchange Limited (“ESM”).

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 £650,000, primarily to fund its exploration programme which will include;

- drilling on its Seitaperä diamondiferous pipe, and the other known diamondiferous kimberlite pipes on its licences;
- to follow up on the results of its exploration programme to date with ground geophysics;
- integrating the large amount of data received under its agreement with Rio Tinto and further drilling where warranted; and
- general working capital.

Application has been made to AIM and ESM for the Placing shares to be admitted to trading. Admission and trading are expected to commence on 13 April 2011.

On admission of the 20,000,000 Placing Shares, the Company will have 92,208,342 Ordinary Shares in issue in total.

Professor Richard Conroy, Chairman commented:

“These additional funds will enable us to accelerate the Company’s exploration programme in Finland. This will include drilling on our newly acquired licences covering known Kimberlite bodies to the North of the Company’s diamondiferous kimberlite pipe at Seitaperä, accelerating the assessment and integration of the extensive and highly valuable data received from Rio Tinto and applying for further licences.”

Further Information:

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