



17 November 2011

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

Final results for the year ended 31 May 2011

Karelian (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2011, a year of significant progress with continued drilling success.

Highlights:

- Drilling programme at Seitaperä in Finland intersects kimberlite in all five holes drilled
- Large zone of potentially diamond bearing mantle xenoliths in kimberlite identified
- Scope and size of Seitaperä pipe further delineated
- Loss after taxation for the year of €187,261 (2010: loss of €173,081) in line with expectations

Professor Richard Conroy, Chairman, stated:

"The excellent results from this season's drilling programme in Finland are highly encouraging. Our objective remains to make a major diamond discovery in Finland comparable to the world class discoveries already made on the Russian side of the structure."

Further Information:

Professor Richard Conroy, Chairman, Karelian Diamond Resources plc

Simon Clements/Virginia Bull, Merchant Securities Limited (Nomad)

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CHAIRMAN'S STATEMENT

I have pleasure in presenting your Company's Final Results for the year ended 31 May 2011. During the year your Company continued to progress its diamond exploration programme in Finland. At Seitaperä in the Kuhmo region of Eastern Finland your Company has delineated the largest known diamondiferous kimberlite so far discovered in the country.

Drilling resumed at Seitaperä during the course of the year. The objective of the drilling was to test the extent of the diamond-bearing kimberlite facies at Seitaperä and the shape of the pipe to a depth of approximately 100 metres.

Post year end the results from the drilling at Seitaperä became available and were announced on 3rd October 2011. Kimberlite was intersected in all five holes drilled. A new large (52 metre) zone of potentially diamond bearing mantle xenoliths in kimberlite was identified, and the scope and extent of the Seitaperä diamondiferous kimberlite pipe further delineated.

The Seitaperä pipe, at 6.9 hectares, is the largest known kimberlite pipe in Finland. Previous drilling by the Company resulted in the recovery of 67 diamonds from 100kg including six macrodiamonds and 61 microdiamonds, some of which may be fragments of a larger diamond or diamonds which were present in the mantle xenoliths and broke apart during processing. These findings suggest that there is potential for larger diamonds in Seitaperä with the majority of the kimberlite remaining untested. The discovery of another potentially diamond bearing mantle rich kimberlite zone in the recent drilling is particularly encouraging.

During the year your Company applied for and was awarded two further diamond licences in the Kuhmo area. The licences cover known kimberlite bodies to the North of the Seitaperä diamondiferous pipe. Your Board believes a reassessment of the area is justified in view of the consistently good geochemistry and diamondiferous results at Seitaperä.

The Company is also conducting exploration in other parts of Finland, based on the results of the first review and integration of the extensive database, including the results from over 53,000 till samples, which Rio Tinto has made available to the Company under the terms of the Confidentiality Agreement entered into with Karelian in July 2010.

Under the terms of the agreement, in consideration of Rio Tinto disclosing confidential information to it, Karelian has agreed that Rio Tinto will have the option to earn a 51 per cent. interest in any project identified by Karelian in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project subject to the following conditions:

1. For diamond projects the option will be triggered if Karelian completes 10 tons or more of bulk sampling for diamond exploration; and
2. For all other minerals the option will be triggered if Karelian discovers a resource with an in situ value that is equal to or greater than the in situ value of 3 million ounces of gold in a JORC compliant resource calculation.

The Rio Tinto Group is one of the largest mining companies in the world with interests spanning aluminium, copper, diamonds, iron ore, coal, uranium, gold and industrial minerals. Rio Tinto Diamonds is the third largest supplier of diamonds in the world with diamond production ranging

from the unique pink diamonds of the Argyle mine in Australia to the spectacular whites of Diavik's high value gemstones in Canada.

The confidential information and physical samples made available to Karelian are a significant addition to your Company's knowledge base and mineral exploration programme.

Financials

The loss after taxation for the year ended 31 May 2011 was €187,261 (2010: €173,081) and the net assets as at 31 May 2011 were €4,652,829 (2010: €3,621,349).

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 €42,424 and the balance of the loans due to me at the period end was €1,107,373. The loans have been made on normal commercial terms.

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

During the year £1,050,000 sterling prior to expenses, was raised by the issue of 36,666,666 shares for cash.

Auditors

I would like to take the opportunity to thank 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 for the support and dedication of the Directors, Consultants and Staff, which has made possible the continued progress which your company has achieved.

Future Outlook

I am delighted with the results achieved to date by your Company whose objective remains to make a major diamond discovery in the Karelian Craton in Finland comparable to the world class discoveries already made on the Russian side of the Craton.

Professor Richard Conroy
Chairman

16 November 2011

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2011**

	2011	2010
	€	€
OPERATING EXPENSES	(110,020)	(104,952)
Other Income	-	5
	<hr/>	<hr/>
OPERATING LOSS	(110,020)	(104,947)
Finance costs – Interest on shareholder loan	(77,241)	(68,134)
	<hr/>	<hr/>
Loss Before Taxation	(187,261)	(173,081)
Taxation	-	-
	<hr/>	<hr/>
LOSS FOR THE YEAR	(187,261)	(173,081)
	<hr/>	<hr/>
Loss per ordinary share	(€0.0027)	(€0.0028)
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**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2011**

	2011	2010
	€	€
ASSETS		
Non-current Assets		
Intangible assets	5,760,090	5,250,016
Investment in subsidiaries	4	4
Property, plant and equipment	669	837
	<hr/>	<hr/>
	5,760,763	5,250,857
Current Assets		
Trade and other receivables	12,536	24,875
Cash and cash equivalents	745,908	17,707
	<hr/>	<hr/>
	758,444	42,582
Total assets	<hr/> 6,519,207	<hr/> 5,293,439
EQUITY AND LIABILITIES		
Capital and reserves		
Called up share capital	922,083	605,416
Share premium	4,621,158	3,801,202
Share based payments reserve	292,921	210,803
Retained earnings	(1,183,333)	(996,072)
	<hr/>	<hr/>
Total equity	4,652,829	3,621,349
Non-current liabilities		
Financial liabilities	1,107,373	1,033,967
	<hr/>	<hr/>
Total non-current liabilities	1,107,373	1,033,967
Current liabilities		
Trade and other payables	759,005	638,123
	<hr/>	<hr/>
Total Current Liabilities	759,005	638,123
Total Liabilities	<hr/> 1,866,378	<hr/> 1,672,090
Total Equity and Liabilities	<hr/> 6,519,207	<hr/> 5,293,439

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2011**

	2011 €	2010 €
Cash generated by operations	38,549	134,006
Tax paid	-	-
Net cash generated by operating activities	38,549	134,006
Cash flows from investing activities		
Investment in exploration and evaluation assets	(443,136)	(299,213)
Net cash used in investing activities	(443,136)	(299,213)
Cash flows from financing activities		
Issue of share capital	1,136,623	-
Shareholder loans	42,424	175,248
Interest paid	(46,259)	-
Net cash generated from financing activities	1,132,788	175,248
Increase in cash and cash equivalents	728,201	10,041
Cash and cash equivalents at beginning of year	17,707	7,666
Cash and cash equivalents at end of year	745,908	17,707

Notes to the Financial Statements

1. Publication of non-statutory accounts

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

The financial information for the year ended 31 May 2011 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 €0.0027 (2010 - €0.0028) is based on the loss for the financial year of €187,261 (2010 – €173,081) and the weighted average number of ordinary shares in issue on a basic and fully diluted basis during the year of 68,805,565 (2010 – 60,541,676).

The effect of share options and warrants is anti-dilutive.

3. Dividends

No dividends were paid or are proposed in respect of the year ended 31 May 2011.

4. Copies of Accounts

A copy of the Annual Report and Financial Statements, Notice of Meeting and Proxy Form 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.