

25 February 2010

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

**Half-yearly results for the six months ended 30 November 2009**

**NEW LICENCE APPLICATIONS SUBMITTED**

Karelian Diamond Resources PLC (**AIM: KDR**), the diamond exploration company focused on Finland, announces its results for the six months ended November 30, 2009.

**Highlights:**

- Seitaperä Pipe has potential to host large diamonds
- Much of 6.9ha pipe remains untested
- Further drilling and micro-diamond analysis on hold pending market revival
- Licence applications submitted over other known kimberlites

**Post-Period**

- Company lists on Irish Enterprise Exchange (IEX)

**Professor Richard Conroy, Chairman, said:**

*"Although the demand for both rough diamonds and jewellery is showing signs of recovery, investor interest in junior explorers remains quite flat. Under such circumstances we have decided to limit the amount of expensive drilling and micro-diamond sampling work we undertake in order to conserve our resources.*

*However, we continue to evaluate opportunities on our licences on the Kuhmo and Joensuu areas of Finland and have also submitted a number of new licence applications over other known kimberlites, both near Seitaperä and in the wider Kuhmo area. As market conditions improve, these work programmes will be reviewed."*

**Chairman's Statement**

I have great pleasure in presenting your Company's Half-Yearly results for the six-months ended 30 November 2009, a period when we largely focused on in-house analytical and interpretational work in relation to our diamond exploration in Eastern Finland.

During this period, sales of diamond jewellery showed welcome signs of recovery and, in the US, which accounts for around half of the market, improved sales were recently reported for the Thanksgiving and Christmas periods, whilst demand from India and China remains strong.

Sentiment also improved in the rough diamond market, where the resulting recovery in prices was also a feature, though they still remain below the highs of 2008. However, cutters and polishers are not likely to be able to build up inventories in the current climate in which debt is hard to come by. Our Seitaperä deposit in the Kuhmo area is the largest known diamondiferous kimberlite pipe in Finland and analytical work has indicated that it has potential to host large diamonds. In the Joensuu area, your Company has identified kimberlite indicator mineral trains and these increase the likelihood of kimberlites being present.

However, until stock market interest in junior diamond explorers shows sustained recovery, your Company has stepped back from undertaking further drilling and micro-diamond sampling/analysis at Seitaperä, both of which are expensive. Much of the 6.9ha pipe identified at Seitaperä remains untested, including the north-east extension.

Whilst conserving resources, we will continue to evaluate opportunities on our licences in the Kuhmo and Joensuu areas. We are also taking advantage of market conditions to evaluate other areas of interest in Finland. To this end we have submitted a number of licence applications over other known kimberlites, both in the vicinity of Seitaperä and in the wider Kuhmo area.

#### **Corporate**

In December 2009, the shares of your Company were listed on the Irish Enterprise Exchange (IEX). Whilst the shares already attract the interest of many Irish investors, we believe that the IEX listing will facilitate dealings for investors in Ireland and elsewhere who normally trade shares in Euro.

#### **Finance**

The results for the six months ended 30 November 2009 are set out below. The loss for the period was €83,636. (2008: loss €112,612).

During this period I have supported the working capital requirements of the Company and in the period under review have advanced aggregate loans amounting to €70,772.

The loans have been made under normal commercial terms in accordance with a letter of support dated 11 November 2008. This letter provides confirmation of support from me for the current financial year ending 31 May 2010. The loans have been and will continue to be made on normal commercial terms. The interest on the loans is currently accruing at a rate of 8.25 per cent. per annum. The loans may be repaid at any time but I have confirmed to the Company that I will not request repayment, other than in exceptional circumstances, within a period of less than one year.

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

#### **Directors and Staff**

I would like to thank my fellow directors, staff and consultants for their support and dedication, which has enabled the continued success of the Company. I look forward to the future with confidence.

**Professor Richard Conroy**  
Chairman

**Further enquiries:**

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**UNAUDITED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2009**

	<b>Six months ended 30 November 2009 (Unaudited) €</b>	<b>Six months ended 30 November 2008 (Unaudited) €</b>	<b>Year ended 31 May 2009 (Audited) €</b>
<b>OPERATING EXPENSES</b>	(83,641)	(112,783)	(194,342)
Other Income	5	171	216
<b>LOSS BEFORE TAXATION</b>	(83,636)	(112,612)	(194,126)
Taxation	-	-	-
<b>LOSS RETAINED FOR THE PERIOD</b>	<u>(83,636)</u>	<u>(112,612)</u>	<u>(194,126)</u>
Loss per ordinary share – Basic and diluted	<u>(0.0014)</u>	<u>(0.0019)</u>	<u>(0.0032)</u>

**UNAUDITED BALANCE SHEET  
AS AT 30 NOVEMBER 2009**

	<b>30 November 2009 (Unaudited) €</b>	<b>30 November 2008 (Unaudited) €</b>	<b>31 May 2009 (Audited) €</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Intangible assets	5,062,451	4,614,881	4,883,865
Financial assets	4	4	4
Property, plant and equipment	1,005	1,089	1,089
	<hr/> 5,063,460	<hr/> 4,615,974	<hr/> 4,884,958
<b>Current Assets</b>			
Trade and other receivables	8,378	46,708	10,222
Cash and cash equivalents	14,037	108,614	7,666
	<hr/> 22,415	<hr/> 155,322	<hr/> 17,888
<b>Total Assets</b>	<hr/> <b>5,085,875</b>	<hr/> <b>4,771,296</b>	<hr/> <b>4,902,846</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Called up share capital	605,416	605,416	605,416
Share premium	3,801,202	3,801,202	3,801,202
Share based payments reserve	169,744	128,685	128,685
Retained losses	(906,627)	(741,477)	(822,991)
	<hr/> 3,669,735	<hr/> 3,793,826	<hr/> 3,712,312
<b>Total Equity</b>	<hr/> <b>3,669,735</b>	<hr/> <b>3,793,826</b>	<hr/> <b>3,712,312</b>
<b>Non-current Liabilities</b>			
<b>Trade and other payables:</b> Amounts falling due after more than one year	790,765	582,914	719,993
	<hr/> 790,765	<hr/> 582,914	<hr/> 719,993
<b>Total non-current liabilities</b>	<hr/> <b>790,765</b>	<hr/> <b>582,914</b>	<hr/> <b>719,993</b>
<b>Current Liabilities</b>			
<b>Trade and other payables:</b> Amounts falling due within one year	625,375	394,556	470,541
	<hr/> 625,375	<hr/> 394,556	<hr/> 470,541
<b>Total Current Liabilities</b>	<hr/> <b>625,375</b>	<hr/> <b>394,556</b>	<hr/> <b>470,541</b>
<b>Total Liabilities</b>	<hr/> <b>1,416,140</b>	<hr/> <b>977,470</b>	<hr/> <b>1,190,534</b>
<b>Total Equity and Liabilities</b>	<hr/> <b>5,085,875</b>	<hr/> <b>4,771,296</b>	<hr/> <b>4,902,846</b>

**UNAUDITED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2009**

	<b>Six months ended 30 November 2009 (Unaudited) €</b>	<b>Six months ended 30 November 2008 (Unaudited) €</b>	<b>Year ended 31 May 2009 (Audited) €</b>
<b>Cash generated by operations</b>	114,185	121,032	118,876
Tax paid	-	-	-
<b>Net cash generated by operating activities</b>	<u>114,185</u>	<u>121,032</u>	<u>118,876</u>
<b>Cash flows from investing activities</b>			
Investment in mineral interests	<u>(178,586)</u>	<u>(359,626)</u>	<u>(628,611)</u>
<b>Net cash used in investing activities</b>	<u>(178,586)</u>	<u>(359,626)</u>	<u>(628,611)</u>
<b>Cash flows from financing activities</b>			
Shareholder loan advances	<u>70,772</u>	<u>311,778</u>	<u>481,971</u>
<b>Net cash from financing activities</b>	<u>70,772</u>	<u>311,778</u>	<u>481,971</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>	6,371	73,184	(27,764)
<b>Cash and cash equivalents at beginning of year</b>	<u>7,666</u>	<u>35,430</u>	<u>35,430</u>
<b>Cash and cash equivalent at year end</b>	<u><u>14,037</u></u>	<u><u>108,614</u></u>	<u><u>7,666</u></u>

Notes to the Financial Statements

1. Publication of non-statutory accounts  
The financial information set out in this document does not comprise the statutory accounts of the Company.
2. Earnings per share  
The calculation of the loss per ordinary share of €0.0014 (2008: loss €0.0019) is based on the loss for the half year of €83,636 (2008: loss €112,612) and the weighted average number of ordinary shares on a basic and fully diluted basis during the year of 60,541,676 (2008: 60,541,676). Share options and warrants are not included in the calculation of fully diluted shares since the Company incurred a loss in both periods which results in these potential shares being anti-dilutive.
3. Dividends

No dividends were paid or are proposed in respect of the period ended 30 November 2009.

4. Copy of half yearly report

A copy of the half yearly report will be available on the Company's website [www.kareliandiamondresources.com](http://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.