

NOVEMBER 15, 2006

KARELIAN DETAILS PROGRESS IN FINNISH DIAMOND SEARCH IN COMPANY'S FIRST ANNUAL REPORT

- **“Encouraging” Results From Initial Trenching On Kuhmo Claims**
 - **Diamondiferous Seitaperä Pipe Now More Significant Than First Thought**
 - **Further Drilling Of Kimberlite Pipe Planned For 2006-07**
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Presenting Karelian Diamond Resource's annual report for the year ended May 31, 2006, the Company's first since it listed on AIM, chairman, Professor Richard Conroy says that the first phase of trenching over its Kuhmo diamond targets has returned “encouraging” results. One of four trenches contains what is believed to be narrow dikelets of kimberlitic material at the edges of an 8m wide “hole” in the bedrock surface caused by differential glacial scouring of weathered, soft material. Two other trenches revealed similar “holes”, the chairman states, and this information is helping to guide selection of drill sites to test for wider kimberlite bodies.

The Company's 58 diamond claims in Finland are grouped geographically into four blocks, the largest of which, with 49 claims, is the Kuhmo block. This covers a known diamondiferous pipe at Seitaperä and 16 other diamond indicator mineral anomalies identified by the Company's till sampling programmes.

The focus of Karelian's initial exploration programme has been the Kuhmo block of claims because the presence of the Seitaperä kimberlite pipe indicates that the right geochemical conditions to host diamonds occur in the Kuhmo area. The Company has identified other diamond indicator mineral anomalies elsewhere on this claim block which makes the significance of the Seitaperä pipe much greater than at the time of its discovery. Since kimberlite pipes typically occur in clusters, multiple sources of diamonds may be present at Kuhmo, the chairman states.

The planned work programme for 2006-07 will include further drilling of the Seitaperä pipe and systematic evaluation of the 16 other known targets to determine if drilling is warranted. Till sampling will also continue, together with other work, on the Company's three other highly prospective claim blocks.

The Company's four claim blocks have all been independently assessed as “highly prospective for diamonds”. They are located within the Finnish sector of the Karelian Craton, the block of ancient crustal rocks which occupies much of eastern and northern Finland and extends over the border into Russia where it hosts a number of large, high-grade diamond deposits. The Company believes that the Finnish sector has the potential to host similar world-class deposits and, given its size and potential, it is under-explored by comparison with other diamond producing regions of the world.

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