

JULY 18, 2007

**KARELIAN DIAMOND RESOURCES PLC (THE "COMPANY")
PLACING OF 15,770,000 NEW ORDINARY SHARES, WITH WARRANTS
ATTACHED ("PLACING")
DIRECTORS' SHAREHOLDING**

The Company announces that, City Capital Corporation Limited, as agents for the Company, have placed a total of 15,770,000 new ordinary shares of €0.01 cents each at 6.5p each ("Placing Shares"), raising £1,025,050 (€1,520,000) before expenses. Every three Placing Shares subscribed have one warrant attached, exercisable at 10p during the three years following admission of the Placing Shares. No admission to trading is to be sought in respect of the 5,256,661 warrants.

As part of the Placing, Professor Richard Conroy, Chairman of the Company, and Conroy P.l.c a company in which Professor Conroy has a controlling interest, has agreed to subscribe for a total of 8,500,000 Placing Shares. Consequently, Professor Conroy now has a beneficial interest in 37,031,701 ordinary shares of €0.01 cents each, representing 60.89 per cent of the enlarged ordinary share capital of the Company. Of the total, 30,815,030 ordinary shares (representing 50.90 per cent) will be registered in the name of Conroy P.l.c and the balance of 6,216,671 ordinary shares (representing 10.27 per cent) will be registered in the name of Professor Conroy.

In view of Professor Conroy's position as a director of the Company, Professor Conroy's participation in the placing (directly and through Conroy P.l.c) is deemed to be a Related Party Transaction under the AIM Rules. The independent directors consider, having consulted with John East & Partners Limited, that his participation in the Placing is fair and reasonable insofar as its shareholders are concerned. In giving advice to the board, John East & Partners Limited has taken into account the commercial assessment of the independent directors.

The net proceeds of the Placing amounting to £970,000 will be utilised in ongoing exploration, the maintenance and renewal of licences, the repayment of debt and for general working capital purposes.

Pursuant to the Placing, application has today been made for the 15,770,000 Placing Shares to be admitted to trading on the AIM Market of the London Stock Exchange. Dealings in the Placing Shares are expected to commence on 24 July 2007.

Following the issue of these shares the Company will have a total of 60,541,676 voting shares in issue.

Further Information:

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