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KARELIAN HAS “RIGHT GEOLOGICAL ADDRESS” FOR DIAMOND EXPLORATION, SAYS CHAIRMAN

- **Great Progress Achieved In Finland In A Very Short Time Period**
 - **Further Significant Developments Expected At Seitaperä In Coming Year**
 - **Company’s Programmes Now “Entering Advanced And Exciting Stage”**
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Having the “right geological address” is all important for a diamond explorer and is the reason that Karelian Diamond Resources (**AIM: KDR**) is focussing its efforts in Finland, says chairman, Professor Richard Conroy in the annual report.

This politically stable country with a long mining tradition hosts part of the same geological structure, the Karelian Craton, in which two world-class diamond deposits have been found over the border in Russia. “Since geology recognises no country or political boundary, the logic for seeking similar diamond deposits in Finland is very clear”, he states.

The Finnish sector of the Karelian Craton is larger than Canada’s Slave Craton, which hosts the rich Diavik and Ekati diamond mines. However, it has a relatively short diamond exploration history and remains relatively under-explored, largely because Finland was closed to outside explorers prior to its entry into the EU.

However, high-quality basic geoscientific data and excellent technical services are available in Finland. This, together with the country’s excellent infrastructure, means that Karelian’s diamond exploration programmes have been able to proceed more expeditiously than would be the case in other regions, says Professor Conroy. These programmes are now entering an advanced and exciting stage, he adds.

Country-wide, various companies have discovered more than 20 kimberlites in Finland to date and a very high proportion of these are diamondiferous, including Karelian’s Seitaperä pipe in the Kuhmo region. It is the largest known kimberlite pipe in the country with a surface area of 4.2ha. Recent work by the company exposed fresh kimberlite rock just beneath surface in a number of trenches excavated across the pipe. Two tonnes of kimberlite have been collected, and several 100kg samples have been sent for micro-diamond analysis, with results expected before the end of the calendar year.

The evaluation programme at Seitaperä will continue this winter, says Professor Conroy. A number of sites have been selected for drill-testing of the pipe, and the company also plans to investigate in the coming year a possible south-west extension which could increase its overall size.

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Elsewhere in Finland, Karelian has continued exploration in several areas where previously identified kimberlite indicator mineral (KIM) trains are now known to converge with a series of aeromagnetic anomalies. Professor Conroy says this convergence is particularly encouraging as it suggests that multiple kimberlite sources may be present.

Commenting on the outlook for Karelian, the chairman says “further significant progress” is expected at Seitaperä. Ongoing exploration at several other locations is expected to “bring us closer to new kimberlite sources, of which there could be several”.

Meanwhile, the company’s directors have addressed the build up of current liabilities on the balance sheet which, they say, has arisen mainly from the accrual of unpaid directors fees and remuneration since Karelian’s incorporation in 2004. By foregoing these amounts, the directors have effectively applied the funds to the company’s exploration programmes, allowing them to proceed on a greater and more effective scale.

The directors have now agreed to waive the accrued amounts, which total €601,933 (£416,779) to end-November 2007. After due consideration and discussions with the company’s advisors, the Board has decided, subject to shareholder approval at the AGM on December 17, to issue a total of 12,852,377 warrants to the individual directors for nil consideration. These are exercisable over 10 years at a subscription price of €0.10 (£0.07) each.

The company reported an after tax loss of €125,334 for the year ended May 31, 2007, an improvement on the previous year’s loss of €135,952.

Subsequent to year-end Karelian raised £1.05m (€1.50m) through the issue of 15,770,000 ordinary shares at 6.5p each, together with one warrant, exercisable at 10p over three years, for every three shares allotted.

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[Karelian Share Price](#)