

FEBRUARY 27, 2007

KARELIAN'S DIAMOND SEARCH IN FINLAND CONTINUES TO MAKE EXCELLENT PROGRESS - CHAIRMAN

- **Recent Granting Of Additional Claims Brings Further Opportunities**
 - **Complements Company's Existing Ground Holdings In Eastern Finland**
 - **Comprehensive Re-Assessment Planned Of Seitaperä Pipe's Diamond Potential**
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AIM-quoted Karelian Diamond Resources Plc continues to make "excellent progress" in its search for diamonds in Finland, says chairman, Professor Richard Conroy, in the interim report for the six months ended November 30, 2006.

The company was recently awarded all 41 additional claim reservations it had applied for in Finland, and these will augment those already held by the company. The application for the new claims followed release by the Geological Survey of Finland (GTK) of detailed results from an extensive sampling programme it had completed in an area of eastern Finland where Karelian had previously undertaken limited regional exploration.

The GTK programme consisted of roadside samples collected by excavator from nearly 500 sites. Analysis of the material collected, mostly basal tills, revealed a number of G9 and G10 pyrope garnet diamond indicator minerals, as well as large quantities of chromite grains.

Chairman, Professor Richard Conroy, says the company is delighted to have been awarded the new claim reservations over this ground. They complement its existing diamond claims in Finland and will now be integrated into the company's ongoing exploration programme in the area. "The GTK sampling data clearly shows that the new ground has potential to host diamond deposits", he adds.

The Company's existing holdings comprise four groups of claims, all of which are located in the Karelian Craton. This is the block of ancient crustal rocks that occupies much of eastern and northern Finland, extending over the border into Russia where this same structure hosts two world-class diamond deposits.

The largest group of claims is the Kuhmo block which includes a proven diamondiferous kimberlite pipe at Seitaperä. In the same general area as this pipe the company has, to date, discovered 18 separate indicator mineral anomalies. It also encountered kimberlitic material in a preliminary trenching programme that followed a detailed magnetic survey of one of these anomalies.

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The four hectare Seitaperä pipe was discovered in 1993 but never fully explored, with only a limited number of shallow vertical drill holes completed before one of the owners withdrew from the area to focus on other Finnish claims. However, a 13.3t composite sample from the pipe was reported to have returned a grade of 1.09 carats per hundred tonnes.

Because of the limited nature of the work undertaken by the previous operators, Karelian is now undertaking a comprehensive re-assessment of the diamond potential of the Seitaperä pipe.

The presence of diamonds in the Seitaperä pipe indicates that the right geochemical conditions to host diamonds exist in the Kuhmo area, and the company believes that these developments, and the fact that kimberlites typically occur in clusters, suggest that multiple sources of diamonds may exist in the area. Karelian's objective is to locate these sources.

The company reports a loss of €79,989 for the half-year compared with a loss of €74,292 in the six months ended November 30, 2005.

COPIES OF INTERIM REPORT AVAILABLE ON REQUEST

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