

25 February 2009

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

Half-yearly results for the six months ended 30 November 2008

Chairman's Statement

I have great pleasure in presenting your Company's half-yearly report for the six months ended 30 November 2008. During the period your Company continued to progress its diamond exploration programme in Finland with the objective of discovering a world-class diamond deposit in the Finnish sector of the Karelian Craton.

The Kuhmo Area

To date over 1,500m of core drilling in 24 holes has accurately delineated the Seitaperä pipe to over 115m in depth, and provided extensive intersections of Hypabyssal Kimberlite which contain significant quantities of mantle material, including Harzburgite and Lherzolite Mantle Peridotite containing G9 and G10 garnets. This material originates in the diamond stability zone of the Upper Mantle and demonstrates the capacity of the Seitaperä Kimberlite to carry diamond-bearing material. With its 6.9 hectare surface outline, Seitaperä represents the largest known kimberlite pipe in Finland, being approximately three times bigger than the next largest pipe.

The Seitaperä kimberlite has yielded both highly positive mineral chemistry results (G9/G10 garnets and DI-chromites) and significant micro-diamond results. Further analysis of core samples is ongoing.

Historical work is limited in the Kuhmo area of Eastern Finland but, when taken together with our new results, this demonstrates the area's potential for diamondiferous kimberlites. In addition to our existing claims and reservations in the area, we have also applied for licenses covering the other two known kimberlite occurrences, namely Kimberlites #18 (Havukkasuo) and #24 (Lentiira).

The Joensuu Area

Your Company also continues with its exploration programme in the Joensuu area of Eastern Finland where kimberlite indicator minerals, including a G10 Harzburgite garnet and eight G9 Lherzolite garnets, have been identified in recent sampling programmes. Taken in conjunction with previous results from the area the latest data increases the likelihood that the Joensuu area could contain a number of kimberlite pipes.

Finance and Results

The results for the six months ended 30 November 2008 are set out below. The loss for the period was €112,612 (2007: €101,500). 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 €582,914.

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 2009. 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. They have made the success of the Company possible. I look forward to the future with confidence

Professor Richard Conroy
Chairman

25 February 2009

Further enquiries:

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**UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2008**

	Six months ended 30 November 2008 (Unaudited) €	Six months ended 30 November 2007 (Unaudited) €	Year ended 31 May 2008 (Audited) €
OPERATING EXPENSES	(112,783)	(109,917)	(280,720)
Other Income	171	8,417	12,082
LOSS BEFORE TAXATION	(112,612)	(101,500)	(268,638)
Taxation	-	-	-
LOSS RETAINED FOR THE PERIOD	(112,612)	(101,500)	(268,638)
Loss per ordinary share – Basic and diluted	(€0.0019)	(€0.0018)	(€0.0046)

**UNAUDITED BALANCE SHEET
AS AT 30 NOVEMBER 2008**

	30 November 2008 (Unaudited) €	30 November 2007 (Unaudited) €	31 May 2008 (Audited) €
ASSETS			
Non-current Assets			
Intangible assets	4,614,881	3,858,785	4,221,785
Financial assets	4	4	4
Property, plant and equipment	1,089	1,333	1,173
	<hr/> 4,615,974	<hr/> 3,860,122	<hr/> 4,222,962
Current Assets			
Trade and other receivables	46,708	4,146	50,441
Cash and cash equivalents	108,614	602,354	35,430
	<hr/> 155,322	<hr/> 606,500	<hr/> 85,871
Total Assets	<hr/> 4,771,296	<hr/> 4,466,622	<hr/> 4,308,833
EQUITY AND LIABILITIES			
Capital and Reserves			
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	128,685	62,320	87,626
Retained losses	(741,477)	(461,727)	(628,865)
	<hr/> 3,793,826	<hr/> 4,007,211	<hr/> 3,865,379
Total Equity	<hr/> 3,793,826	<hr/> 4,007,211	<hr/> 3,865,379
Non-current Liabilities			
Trade and other payables: Amounts falling due after more than one year	582,914	329,867	271,135
	<hr/> 582,914	<hr/> 329,867	<hr/> 271,135
Total non-current liabilities	<hr/> 582,914	<hr/> 329,867	<hr/> 271,135
Current Liabilities			
Trade and other payables: Amounts falling due within one year	394,556	129,544	172,319
	<hr/> 394,556	<hr/> 129,544	<hr/> 172,319
Total Current Liabilities	<hr/> 394,556	<hr/> 129,544	<hr/> 172,319
Total Liabilities	<hr/> 977,470	<hr/> 459,411	<hr/> 443,454
Total Equity and Liabilities	<hr/> 4,771,296	<hr/> 4,466,622	<hr/> 4,308,833

**UNAUDITED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2008**

	Six months ended 30 November 2008 (Unaudited) €	Six months ended 30 November 2007 (Unaudited) €	Year ended 31 May 2008 (Audited) €
Cash generated/(used by) from operations	121,032	191	(196,010)
Tax paid	-	-	-
Net cash generated from/ (used in) operating activities	<u>121,032</u>	<u>191</u>	<u>(196,010)</u>
Cash flows from investing activities			
Investment in mineral interest	(359,626)	(241,062)	(553,053)
Net cash used in investing activities	<u>(359,626)</u>	<u>(241,062)</u>	<u>(553,053)</u>
Cash flows from financing activities			
Shareholder loan advances	311,778	(701,431)	(760,163)
Issue of share capital	-	1,429,254	1,429,254
Net cash from financing activities	<u>311,778</u>	<u>727,823</u>	<u>669,091</u>
Increase/(Decrease) in cash and cash equivalents	73,184	486,952	(79,972)
Cash and cash equivalents at beginning of year	<u>35,430</u>	<u>115,402</u>	<u>115,402</u>
Cash and cash equivalent at year end	<u>108,614</u>	<u>602,354</u>	<u>35,430</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 €0.0019 (2007: loss €0.0018) is based on the loss for the half year of €112,612 (2007: loss €101,500) and the weighted average number of ordinary shares on a basic and fully diluted basis during the year of 60,541,676 (2007: 55,285,009). 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 2008.

4. Copy of half yearly report

A copy of the half yearly report will be available on the Company's website 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.