

12 November 2010



**Karelian Diamond Resources Plc
("KDR" or the "Company")**

Final results for the year ended 31 May 2010

Karelian (AIM: KDR, ESM: KDRI), the diamond exploration company focused on Finland, announces its results for the year ended 31 May 2010.

Highlights:

- Confidentiality agreement (with Back-In-Rights) signed with Rio Tinto
- Work programmes continue in Kuhmo and Joensuu regions
- Additional licences acquired: Post Period
- Loss for year €173,081 (2009: loss €194,126) in line with expectations

Professor Richard Conroy, Chairman, stated:

"The confidential information and physical samples being made available to Karelian by Rio Tinto will be a significant addition to Karelian's existing database and having already delineated the largest diamondiferous pipe yet discovered in Finland we have acquired further licences in areas where we have encouraging results.

"Our objective remains to make a major diamond discovery in Finland comparable to the world class discoveries already made on the Russian side of the structure."

Further Information:

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<http://www.kareliandiamondresources.com>

CHAIRMAN'S STATEMENT

I have pleasure in presenting your Company's final results for the year ended 31 May 2010. During the year your Company continued to progress its diamond exploration programme in Finland and concluded a confidentiality agreement (with Back-in-Rights) with Rio Tinto Exploration Limited ("Rio Tinto") in relation to its exploration data in Finland.

Under the agreement, Rio Tinto will disclose to Karelian confidential information and physical geological samples relating to its exploration in Finland for the purpose of Karelian considering that information in relation to Karelian's potential and existing exploration programmes in Finland.

In consideration of Rio Tinto disclosing the confidential information to it, Karelian has agreed that Rio Tinto will have the option to earn a 51 per cent. interest in any project identified by Karelian in Finland by Rio Tinto paying the direct cash expenditures incurred in developing the project subject to the following conditions:

1. For diamond projects the option will be triggered if Karelian completes 10 tons or more of bulk sampling for diamond exploration; and
2. For all other minerals the option will be triggered if Karelian discovers a resource with an in situ value that is equal to or greater than the in situ value of 3 million ounces of gold in a JORC compliant resource calculation.

The Rio Tinto Group is one of the largest mining companies in the world with interests spanning aluminium, copper, diamonds, iron ore, coal, uranium, gold and industrial minerals. Rio Tinto Diamonds is the third largest supplier of diamonds in the world with diamond production ranging from the unique pink diamonds of the Argyle mine in Australia to the spectacular whites of Diavik's high value gemstones in Canada.

I am delighted with the agreement with Rio Tinto. The confidential information and physical samples now being made available to Karelian will be a significant addition to your Company's existing knowledge base and mineral exploration programme, which itself has already led to the delineation by your Company of the largest diamondiferous kimberlite pipe yet discovered in Finland.

In the Kuhmo area of Finland there has been only limited historical diamond exploration, but when this is considered in conjunction with the results achieved by Karelian, the area's potential for diamondiferous kimberlites is clearly shown. As a result of these encouraging indications, your Company applied for and has now been granted licences covering the two other known Kimberlite occurrences in the area – Kimberlites 18 (Havukkasuo) and 24 (Lentiira).

The Company also continues to explore in the Joensuu area of Eastern Finland, where results to date suggest the possibility that this area could also contain a number of kimberlite pipes.

Financials

The loss after taxation for the year ended 31 May 2010 was €173,081 (2009: loss €194,126) and the net assets as at 31 May 2010 were €3,621,349 (2009: €3,712,312).

As in previous years, I have supported the working capital requirements of the Company and in the period under review have advanced loans to the value of €175,248 and the balance of the loans due to me at the period end was €895,241. The loans have been made on normal commercial terms.

The other Directors consider, having consulted with the Company's Nominated Adviser and the Company's ESM Adviser, that the terms of these loans are fair and reasonable in so far as the Company's shareholders are concerned.

Auditors

I would like to take the opportunity of thanking the partners and staff of Deloitte and Touche for their services to your Company during the course of the year.

Directors, Consultants and Staff

I would also like to express my deep appreciation of the support and dedication of the Directors, Consultants and Staff, which has made possible the continued progress which your Company has achieved.

Future Outlook

Your Company's objective remains to make a major diamond discovery in Finland comparable to the world class discoveries already made on the Russian side of the structure. We look forward to a successful future.

Professor Richard Conroy

Chairman

12 November 2010

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2010**

	2010	2009
	€	€
OPERATING EXPENSES	(173,086)	(194,342)
Other Income	5	216
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LOSS BEFORE TAX	(173,081)	(194,126)
Taxation	-	-
	<hr/>	<hr/>
LOSS RETAINED FOR THE YEAR	(173,081)	(194,126)
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Loss per ordinary share	(€0.0028)	(€0.0032)

**BALANCE SHEET
AS AT 31 MAY 2010**

	2010	2009
	€	€
ASSETS		
Non-current Assets		
Intangible assets	5,250,016	4,883,865
Financial assets	4	4
Property, plant and equipment	837	1,089
	<u>5,250,857</u>	<u>4,884,958</u>
Current Assets		
Trade and other receivables	24,875	10,222
Cash and cash equivalents	17,707	7,666
	<u>42,582</u>	<u>17,888</u>
Total assets	<u><u>5,293,439</u></u>	<u><u>4,902,846</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Called up share capital	605,416	605,416
Share premium	3,801,202	3,801,202
Share based payments reserve	210,803	128,685
Retained earnings	(996,072)	(822,991)
Total equity	<u>3,621,349</u>	<u>3,712,312</u>
Non-current liabilities		
Trade and other payables: Amounts falling due after more than one year	895,241	719,993
Total non-current liabilities	<u>895,241</u>	<u>719,993</u>
Current liabilities		
Trade and other payables: Amounts falling due within one year	776,849	470,541
Total Current Liabilities	<u>776,849</u>	<u>470,541</u>
Total Liabilities	<u>1,672,090</u>	<u>1,190,534</u>
Total Equity and Liabilities	<u><u>5,293,439</u></u>	<u><u>4,902,846</u></u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2010**

	2010	2009
	€	€
Cash generated by operations	134,006	118,876
Tax paid	-	-
Net cash generated by operating activities	134,006	118,876
Cash flows from investing activities		
Investment in exploration and evaluation	(299,213)	(628,611)
Net cash used in investing activities	(299,213)	(628,611)
Cash flows from financing activities		
Shareholder loans	175,248	481,971
Net cash generated from financing activities	175,248	481,971
Increase/(decrease) in cash and cash equivalents	10,041	(27,764)
Cash and cash equivalents at beginning of year	7,666	35,430
Cash and cash equivalents at end of year	17,707	7,666

Notes to the Financial Statements

1. Publication of non-statutory accounts

The financial information set out in this preliminary announcement is abbreviated from the accounts as defined in Section 19 of the Companies (Amendment) Act 1986.

The financial information for the year ended 31 May 2010 have been extracted from the Company's financial statements to that date which have received an unqualified auditors' report but have not yet been delivered to the Registrar of Companies.

2. Earnings per share

The calculation of the loss per ordinary share of €0.0028 (2009 - €0.0032) is based on the loss for the financial year of €173,081 (2009 – €194,126) and the weighted average number of ordinary shares in issue on a basic and fully diluted basis during the year of 60,541,676 (2009 – 60,541,676).

The effect of share options and warrants is anti-dilutive.

3. Dividends

No dividends were paid or are proposed in respect of the year ended 31 May 2010.

4. Copies of Accounts

A copy of the Annual Report and Financial Statements 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.