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PRESS RELEASE

**PROMISING DIAMOND POTENTIAL EXHIBITED IN MINERAL CHEMISTRY
FROM THE CLARA 1 PIPE**

VaalDiam Resources Ltd. (VAA-TSX.VN) has received promising results from heavy mineral sampling of the Clara 1 pipe, situated on the Company's Pimenta Bueno property in Rondônia, Brazil. Two samples of kimberlite were excavated from two separate pits into the Clara kimberlite. One pit (Sample MP 0084) was excavated at the site of the discovery auger hole, which intersected kimberlite at the centre of a 12 hectare electromagnetic anomaly at a depth of 1.5 metres. A second pit (Sample MP 0085) was excavated at the edge of the circular anomaly, approximately 95 metres northwest of the first pit, where a second auger hole had intersected kimberlite at a depth of 0.8 metres.

The two 1,000 litre samples of kimberlite were processed by dense media separation at Rio Tinto's laboratory in Brasilia to recover kimberlite indicator minerals. The samples were screened into four size fractions ranging from >0.300 mm to <0.850 mm and were processed for heavy mineral separation using dense media followed by magnetic separation. Abundant indicator minerals (i.e. diopsides, chromium spinels and ilmenites) and G10 garnets were recovered from the two samples, along with twenty-six diamonds which were reported in a previous news release dated August 25, 2004. Selected heavy minerals were then submitted by Rio Tinto to Dr. Iain Steele of the University of Chicago for microprobe analyses.

Dr. Luiz Bizzi, VaalDiam's Chief Geological Consultant reports that G10 garnets selected for micro probe analysis exhibit depleted harzburgitic grains (rich in Cr and very low Ca), which indicates sampling well within the Diamond Stability Field and very good mantle conditions for diamond preservation. The Mn content in most of the garnets is extremely depleted and also indicates a peridotitic diamond paragenesis. Chromites are present in more quantity in sample MP0085 than sample MP0084, which may imply that the Clara pipe is a multi facies kimberlite. Most of the chromite grains show high Cr and Mg, indicating that the Clara pipe sampled deep depleted portions of the mantle. Some chromite grains show moderate TiO₂ which may indicate conditions of low oxygen fugacity. Ilmenites from both samples contain high proportions of Cr and Mg and low Fe³⁺, which also suggest low oxygen fugacity and thus good conditions for diamond preservation. Both samples exhibit Cr-diopsides which had once been in equilibrium with garnet peridotites under cool geothermal conditions (of the order of 37mW/m²), with no evidence for lithospheric damage and most of the grains plot within the Diamond Stability Field.

The following diamonds were recovered from these samples along with the kimberlite indicator minerals:

| Sample No. | Stones +0.300 mm - 0.425mm | Stones +0.425 mm- 0.600mm | Stones +0.600 mm - 0.850 mm |
|------------|----------------------------------|---------------------------------|-----------------------------------|
| MP0084 | 4 | 5 | 1 |
| MP0085 | 9 | 4 | 3 |

One additional diamond was also recovered in the coarse (>0.850 mm) fraction of sample MP0085.

The diamonds are predominantly octahedrons and are colorless with only four stones exhibiting inclusions. Additional rock samples collected from the two pits for caustic fusion and micro diamond analyses have been processed at Rio Tinto's laboratory, and the results of these microdiamond tests are presently being evaluated by Mineral Services Canada in Vancouver, British Columbia.

The Clara kimberlite was intersected in two auger holes that were drilled to test the 12 hectare electromagnetic anomaly situated approximately 400 metres to the south of the diamond-bearing 9 hectare Cosmos 1 pipe, and less than 1 kilometre south of the diamond-bearing Tumeleiro 3 pipe, the size of which remains to be determined. The economic potential of Clara and that of the neighbouring diamondiferous pipes will be assessed by drilling and bulk sampling in the coming months. This discovery of the Clara pipe is significant given that the pipe is diamond bearing and it is the first time, to the Company's knowledge, that a kimberlite has been located from electromagnetic data in the Pimenta Bueno district.

The Clara kimberlite shows no magnetic response and was therefore not apparent in the airborne magnetic data.

In addition, Vaaldiam's electromagnetic survey identified two other anomalies, which are also non-magnetic, which lie within the Cosmos-Tumeleiro cluster and will be investigated by means of diamond drilling in the near future. This initial electromagnetic survey covered only a very small area of the Cosmos-Tumeleiro cluster, which is comprised of 25 pipes, 14 of which are diamondiferous. The pipes in the cluster range in size from 1 hectare to 25 hectares. Most of the pipes are hidden under a thin layer of Carboniferous age siltstone that has protected them from erosion and has hindered exploration using traditional sampling methods.

Vaaldiam is a Canadian based diamond exploration company with the objective of becoming a leading producer of superior quality diamonds, through the systematic exploration and development of properties situated in the most prospective areas. Vaaldiam's primary focus at present is the development of the Pimenta Bueno diamond property in Brazil, where 15 of the 32 kimberlite pipes found thus far are diamond bearing. The Company is also exploring in the Otish Mountains district, where it holds an option on two blocks of claims adjacent to the Dios/DeBeers 33 Carat joint venture project.

This release has been reviewed by Tim Maunula P.Geol. and Chief Geologist of Wardrop Engineering who is a Qualified Person under National Instrument 43-101. For additional information regarding the Company please visit www.vaaldiam.com, or contact Kenneth W. Johnson, President and CEO, or Robert Yeoman, Vice President and Corporate Secretary, at (416) 363-6927.