

VAALDIAM CONVERTS BRAÚNA EQUITY STAKE TO ROYALTY

TORONTO: October 3, 2011 – Vaaldiam Mining Inc. ('Vaaldiam' or 'the Company') (TSX: VAA) reports that it has agreed with its joint venture partners to terminate the March 2011 agreement whereby Vaaldiam increased its interest in the Braúna diamond project from 20% to 51%. In exchange for terminating its liability for financing and developing Braúna, Vaaldiam will convert its equity interest in Braúna to a 1% Gross Sales Royalty on all diamond production from the property. In addition, Vaaldiam should recover about \$800,000 currently held in escrow by its joint venture partners and also maintains its rights to explore the Braúna property for gold, which is known to occur on the property. Vaaldiam's joint venture partners now assume responsibility for developing the diamond project.

Vaaldiam CEO Robert Jackson said "We are unable to finance Braúna because of the extreme volatility in capital markets, which started at roughly the same time that we entered into the agreement to increase our ownership of Braúna in March 2011. This is unfortunate because we believe Braúna has the potential to be a major diamond producer but we will still benefit from our Gross Sales Royalty, which requires no further investment by Vaaldiam. This deal also reverses our working capital deficit because it eliminates the Braúna property payments. We can now focus on our other properties in Brazil and on adding new properties. We had \$4.2 million in cash at June 30, 2011 and we believe we own good assets that are maturing well: 2.8 million shares of Freegold Ventures Limited valued at approximately \$2.0 million, 18.55% of Flemish Gold Corp. (a private company with gold properties in eastern Africa), as well as royalty rights on the Kwale titanium project in Kenya and the Pukaqaqa copper-gold project in Peru. In particular, the Kwale project is fully financed and expects to begin production in late 2013 with life-of mine revenues forecasted to exceed \$2 billion, representing \$30 million of royalty revenue to Vaaldiam. More than half of the revenue occurs in the first five years of production."

For additional information regarding Vaaldiam please visit www.vaaldiam.com, or contact Robert Jackson, President and Chief Executive Officer at rjackson@vaaldiam.com.

Certain of the information contained in this news release constitutes 'forward-looking statements' within the meaning of securities laws. Such forward-looking statements, including but not limited to those with respect to the prices of metals and minerals, purchase payments, royalty payments, estimated future production and estimated costs of future production involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any forecast results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of metals and minerals, the actual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the documents of the Company filed from time to time with the Ontario Securities Commission.