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## **PRESS RELEASE**

### **VAALDIAM TO ACQUIRE 70% INTEREST IN DUAS BARRAS DIAMOND DEPOSIT**

Vaaldiam Resources Ltd. (VAA-TSXV) has expanded its landholdings in Brazil through the negotiation of an option to acquire a 70% equity interest in the Duas Barras property, situated 150 kilometres north of the town of Diamantina in the State of Minas Gerais, Brazil. The 7,000 hectare Duas Barras property encompasses a 5 kilometer portion of the Jequitinhonha River. Alluvial diamond deposits associated with the Jequitinhonha River currently produce an estimated US\$500,000 to US\$750,000 of diamonds each month, from a combination of industrial-scale river dredge operations and smaller garimpeiro workings. The diamonds produced from alluvial gravels along the Jequitinhonha River are predominantly gem-quality cuttable goods, with typical sales values ranging between US\$150 and US\$225 per carat.

Large scale river dredging operations have been conducted both upstream and downstream of the property, and exploration activities in areas immediately adjacent to the property provide evidence that significant buried gravel deposits lie within the boundaries of the property. The property remains relatively untouched, and offers a unique opportunity for Vaaldiam to utilize its expertise in alluvial mining to generate cash flow by developing a medium scale mining operation.

Mineração Marly Ltda. acquired the mineral rights to the Property in 2001, and completed a limited program of percussion drilling to test a portion of a 500 metre wide terrace deposit which extends along the left bank of the Jequitinhonha River. During the period January to November 2002, Marly reportedly excavated and processed a 4,263 cubic metre bulk sample of alluvial gravel from the central portion of the deposit, which reportedly yielded 1,108.34 carats of diamonds, suggesting a recovered grade of 0.26 carats per cubic metre. According to Marly, these diamonds were sold during 2002 in 12 separate parcels for total proceeds of US\$246,346, suggesting an average sales value of US\$222 per carat. Individual diamonds ranging in size from 0.15 to 7.41 carats were recovered during this period. Coarse free gold was also recovered during the processing of the bulk sample, with a reported 24.5 ounces of gold being sold by Marly during 2002.

Upon confirmation by Marly that all of the necessary mining and environmental permits required by law have been secured, Vaaldiam will commence with a due diligence review of the property which will include percussion drilling and bulk sampling to confirm and define the gravel resources. To complete the bulk sampling program, Vaaldiam has commissioned the construction of a mobile diamond recovery plant capable of processing 10 cubic metres of gravel per hour. A program of drilling is expected to commence prior to the end of January. Should Vaaldiam exercise its option to acquire a 70% interest in the property within the 120 day due diligence period, Vaaldiam would pay Marly US\$150,000, and provide up to US\$1.5 million towards the purchase of mining and processing equipment, and working capital required for the development of the property. Following the completion of the bulk sampling program at Duas Barras, the Company will move the pilot plant to its Pimenta Bueno property to test both alluvial and kimberlitic deposits that have been found on that property.

#### **Exploration Advances on the Pimenta Bueno Property**

Vaaldiam's crews have returned to the Pimenta Bueno property in Rondônia following the holiday season to continue to advance exploration on the property, where 32 kimberlites have been discovered to date. Recently, the exploration effort has been directed towards the Clara, Cosmos and Tumeleiro kimberlites, where surface sampling has produced encouraging results. As reported in a press release dated November 4, 2004, a total of 72 diamonds were recovered from 623.73 kilograms of rock from the Clara-1 kimberlite, and 108 diamonds from 495.69 kilograms of rock from the Tumeleiro-3 pipe. Additional surface sampling of these kimberlites has been completed, and results are expected to be available shortly.

A drill program, which started in November 2004 focused on the delineation of the Clara and Tumeleiro 3 kimberlites, which lie in a cluster of five pipes situated within a well-defined area covering some 575 hectares. The pipes appear to lie along a north-northwest trending structural lineament, which hosts two other diamondiferous pipes known as Cosmos 1 and 2. Ground magnetic surveys completed by Vaaldiam have identified additional targets within and along this trend. These geophysical targets may represent new undiscovered kimberlite pipes, and will be tested during the current exploration campaign. Results of the drilling and sampling completed to date are expected to be available in February.

In addition to the advanced exploration underway within the Cosmos-Clara-Tumeleiro cluster, Vaaldiam's geologists are completing detailed indicator mineral sampling to define two isolated anomalies that were discovered late last year. The two anomalies lie approximately 6 kilometres to the west southwest of the Cosmos-Clara-Tumeleiro cluster, where two 200 liter samples produced an abundance of garnets, ilmenites and kimberlitic chromites. The samples are located along the same structural trend that appears to control the position of other pipes in the area, including the diamondiferous Cosmos 3 & 4 pipes, and the Pepper 3 & 14 pipes (which lie approximately 3 km northwest of the Cosmo 3 pipe). The relative abundance of the indicator minerals, the size of the mineral grains in the sample and their fresh appearance suggests that both samples were collected close to their source (less than 2 km). In addition to the detailed sampling, Vaaldiam's exploration crews are completing a detailed magnetic survey over the area, to define drill targets for testing during the coming months. Detailed magnetic surveys are also underway over the Pepper 3 and 14 pipes, as well as the Pepper 1 and Pepper 6 pipes, where a 201 kg drill core sample submitted for microdiamond analysis by Rio Tinto in 1995 projected a grade of 24.68 carats per 100 tonnes.

This release has been reviewed by Dr. Luiz Bizzi, Vaaldiam's Chief Diamond Consultant, who is a Qualified Person under National Instrument 43-101. For additional information regarding the Company please visit [www.vaaldiam.com](http://www.vaaldiam.com), or contact Kenneth W. Johnson, President and CEO, or Robert Yeoman, Vice President and Corporate Secretary, at (416) 363-6927.

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