



May 10, 2004  
Toronto, Ontario

VAA-TSX.V  
vaapr2004-07

## PRESS RELEASE

### **VAALDIAM OPTIONS FORTUNA RIVER DIAMOND PROSPECT AND EXPANDS LANDHOLDINGS IN PIMENTA BUENO DISTRICT**

Vaaldiam Resources Ltd (VAA-TSX.V) has expanded its landholdings in the Pimenta Bueno diamond district in the State of Rondonia, Brazil through the negotiation of an option to acquire 100% ownership of an exploration lease along the Fortuna River. The Fortuna River prospect covers 3,216 hectares and encompasses a circular magnetic anomaly identified from Vaaldiam's airborne magnetic survey data collected by Aeroquest Surveys earlier this year. The isolated dipole response, readily evident in both the total field and analytic magnetic data, has a diameter of approximately 400 metres. Of particular interest, is the coincident topographic depression that appears to define the location of the anomaly on surface, and is interpreted by Vaaldiam's geologists to represent the preferential weathering of an underlying intrusive body.

Vaaldiam geologists are further encouraged by the existence of diamond production from the alluvial gravels of the Fortuna River which lie in the vicinity of the anomaly. The Fortuna River represents the main drainage conduit for the area and lies down-slope from the magnetic anomaly. Diamonds were discovered in the alluvial gravels of the Fortuna River in August 2003. **Vaaldiam's exploration program on this anomaly will be testing the theory that the anomaly is the primary source from which the Fortuna River diamonds eroded.**

The local prospector that holds the rights to the Fortuna River prospect now under option to Vaaldiam has reported that the manual excavation of alluvial gravels from small pits and trenches along the river resulted in the recovery of 72 carats of diamonds from approximately 12 cubic metres of gravel, for a calculated grade of 6 carats per cubic metre. These production figures could not be verified by the Company, however the extent of the workings have been inspected and the diamonds were evaluated by Vaaldiam geologists prior to their sale by the prospector. The prospector suspended manual mining and processing operations in early December due to an increase in the level of the water table as a result of the onset of the rainy season in Brazil.

Under the terms of the agreement with the prospector, Vaaldiam has the option to acquire the rights to the exploration lease held by the prospector within a period of 18 months upon payment of R\$200,000 (approximately C\$92,000). The option was subject to an initial option payment of R\$50,000 (approximately C\$23,000). During the term of the option, Vaaldiam has the first right of purchase of all diamonds produced by the prospector's mining activities. In addition, the prospector is responsible for the reclamation of the mining areas.

The Fortuna prospect ties on to Vaaldiam's Pimenta Bueno licenses where 31 kimberlite pipes have been discovered to date. Based on prior sampling completed by Rio Tinto, 15 of the 31 known pipes are diamond-bearing. From the results of this preliminary sampling effort, micro diamond analyses and mineral chemistry studies indicate that 11 of the diamond-bearing pipes may have economic potential. These 11 kimberlites are now being assessed. Twenty-four of the 31 known kimberlite pipes occur in one large cluster covering some 50,000 hectares, an area earmarked for further detailed geophysical work.

In addition, the Company has identified 35 priority magnetic anomalies that could be new, additional kimberlite pipes. Exploration work completed thus far on these 35 priority magnetic anomalies strongly suggests that additional kimberlite pipes, with high interest mineral chemistry, will be discovered on the property, over and above the 31 pipes discovered to date. All of the untested anomalies on Vaaldiam's property exhibit the classic circular dipole magnetic signatures that are associated with the 31 known pipes that have already been discovered on the 173,000 hectare property.

The Pimenta Bueno property lies adjacent to the Roosevelt Indian Reserve, where two kimberlite pipes were reportedly discovered during the last two years, and which recently has been the subject of considerable international media attention. The Roosevelt or "Lajes River" pipes and the associated alluvial deposits are reported to be producing approximately 100,000 carats of diamonds each month with a reported value of US\$20 million. Vaaldiam holds the largest land position in this prime district which is quickly developing into Brazil's most active diamond producing area.

Vaaldiam is currently completing its initial phase of exploration on the property, consisting of detailed ground geophysics coupled with a comprehensive indicator mineral sampling program, in advance of a drill program scheduled for later this year which will test the highest priority targets within the 31 known kimberlites and will test the highest priority magnetic anomalies.

For additional information 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.