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## PRESS RELEASE

### **Duas Barras Diamond Project Moves Towards Production**

- **Engineering contract awarded for design and construction of diamond production plant at Duas Barras;**
- **Construction of mine infrastructure underway;**
- **Delineation drilling program nearing completion;**
- **43-101 compliant resource estimate scheduled for end July;**
- **48 diamonds totaling 16.27 carats recovered from 149 m<sup>3</sup> gravel sample from Pit # 2;**
- **Testing of gold content in gravels on-going with results expected in August; and**
- **Vaalldiam increases its interest in the Duas Barras project to 75%.**

**Vaalldiam Resources Ltd. (VAA – TSX)** (75% interest) has granted the engineering contract for the design of the production scale diamond recovery plant at Duas Barras to Multigeo-Mineração, Geologia e Meio Ambiente Ltda. of São Paulo, Brazil. Multigeo is one of Brazil's leading engineering firms with significant experience in the design and construction of alluvial mining operations.

Ken Johnson, President and CEO of Vaalldiam, in commenting on Multigeo, said that *“we are extremely pleased to add Multigeo to our mine development team at Duas Barras. Multigeo’s engineering and geological team has a significant amount of experience in the design and construction of diamond recovery plants and the development of mine and reclamation plans related to alluvial mining operations. Multigeo was responsible for the design and construction of the Camargo Correa alluvial diamond and gold mine in the Nortelândia diamond district, Mato Grosso state, Brazil, and remains a technical advisor to the mine. Multigeo’s hands-on experience in the development, construction and operation of an alluvial diamond mine in Brazil should contribute to the rapid and successful development of our Duas Barras Mine.”*

Initial plant design and mine planning is currently underway, and fabrication and construction of the processing plant is expected to commence during Q3-2006, with production scheduled to commence during Q4-2006. Improvements to the infrastructure of the Duas Barras project are in progress, with the construction of additional accommodation for mine and construction staff, a new administrative building, and expanded garage facilities. Hydrological testing is also underway to measure groundwater flow in the proposed mining areas, and environmental baseline studies are being completed in accordance with the environmental impact study authorized by the regulatory authorities in Brazil.

Delineation drilling is nearing completion, with 154 holes totaling 3,110 metres having been drilled on a 50 by 50 metre grid pattern. The drilling so far has identified two main deposits of the white basal gravel, which has been the target of Vaalldiam’s on-going bulk sampling program. The North Zone, which appears to be the more extensive of the two channels of alluvial gravel, has been traced over a distance of 1,100 metres, reaching widths of 250 metres. Detailed drilling indicates that the North Zone has an average thickness of 7 metres for the white basal gravel unit, which is covered by up to 14 metres of sand and soil.

The South Zone has been traced by drilling over a distance of 300 metres, exhibiting a channel width of 250 metres. The basal gravels comprising the South Zone have an average thickness of 3 metres, and are covered by approximately 8 metres of sand and soil. Only 30% of the property has been tested by drilling thus far, and with both the North and South zones remaining open along their strike, additional gravel resources will likely be added as a result of future planned drilling programs. A resource estimation compliant with National Instrument 43-101 is expected to be completed by the end of July.

Vaaldiam's bulk sampling program is also continuing, with processing of gravels from Pit # 2 currently underway. Pit # 2 is situated at the western end of the North Zone approximately 400 metres to the west of Pit # 1, which produced 129 diamonds totaling 30.67 carats from 132.6 m<sup>3</sup> (approximately 239 tonnes) of gravel for a recovered grade of 0.23 ct/m<sup>3</sup> or 12.85 cph. The individual diamonds recovered from Pit #1 ranged in size from 0.10 carats to 1.24 carats, with an average stone size of 0.24 carats (previously reported on December 7, 2005). Processing of the upper 1 metre of the basal gravel sequence from Pit# 2 has resulted in the recovery of 48 diamonds totaling 16.27 carats from 149.2 m<sup>3</sup> (approximately 269 tonnes) of gravel for a recovered grade of 0.11 ct/m<sup>3</sup> or 6.05 cph. The individual diamonds recovered range in size from 0.09 carats up to 2.39 carats in weight, and have an average size of 0.34 carats per stone. The completion of the bulk sampling program at Pit# 2 is expected by mid-June.

Testwork is also underway to determine the gold content of the diamond-bearing gravels at Duas Barras. Heavy mineral concentrates resulting from the processing of the fine <2 mm size fraction screened and directed through the gold circuit in the Company's bulk sampling plant is currently being analyzed to determine the gold content of each of the bulk samples. A previous mining operation by Vaaldiam's joint venture partner, Mineração Marly Ltda. in 2002 reported recovering 24.5 ounces of gold (approximately 762 grams) from 4,263 m<sup>3</sup> of gravel extracted from the basal sequence, for a calculated recovered gold grade of 0.18 grams/m<sup>3</sup>. At a gold price of US\$650 per ounce, the reported gold content would represent an in-situ value of US\$3.75 per cubic metre (approximately US\$2.08 per tonne). The current test-work is focused on confirming this reported gold grade, which if positive, would likely offset a significant portion of the operating costs of the planned mining operation at Duas Barras.

On the corporate front, Vaaldiam recently negotiated the purchase of an additional 5% equity interest in the Duas Barras project, increasing the Company's interest to 75%. The interest was acquired through the payment of an advanced royalty of US\$50,000 to Mineração Marly Ltda.

This release has been reviewed by Paul Daigle, P.Geo., Senior Project Geologist, who is a qualified person under National Instrument 43-101. For additional information regarding Vaaldiam please visit [www.vaaldiam.com](http://www.vaaldiam.com), or contact Ken Johnson, President & C.E.O. or Janet Reid, Manager, Investor Relations at (416) 363-6927.

*This press release contains certain forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; changes in project parameters as plans continue to be refined, future prices of resources; possible variations in reserves, grade or recovery rates, accidents, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*