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PRESS RELEASE

**RIO TINTO EXERCISES OPTION ON VAALDIAM'S PIMENTA BUENO PROPERTY
Rio Tinto to Invest US\$12.5 Million Over 3 Years to Earn 51% Interest**

Vaaldiam Resources Ltd. (VAA – TSXV) has received notification from Rio Tinto Desenvolimentos Minerais Ltda. (“RTDM”), a subsidiary of Rio Tinto Mining and Exploration Inc. (“Rio Tinto”), of their decision to exercise their option to acquire a 51% interest in Vaaldiam’s Pimenta Bueno diamond property, situated in the state of Rondônia, Brazil.

Under the terms of the agreement, RTDM can acquire up to a 51% interest in the southern two-thirds of the Pimenta Bueno diamond property (the “Southern Block”) by spending a total of US\$5.0 million on exploration over a three year period. RTDM can also earn a 51% interest in the northern one-third of the Pimenta Bueno property (the “Northern Block”) by spending a total of US\$7.5 million on exploration over three years. RTDM’s minimum expenditure in the first 12 months following the exercise of the option would be US\$1.5 million and US\$2.5 million for the Southern and Northern Blocks respectively. Should RTDM meet the contribution requirements under the terms of the option, RTDM has the right to increase its interest in the property to 70% by completing a feasibility study on any kimberlite deposit. The feasibility study must be sufficiently comprehensive to enable Vaaldiam to seek bank financing, if necessary, to fund its interest in the joint venture. Vaaldiam would regain 100% ownership in the property should RTDM decide to discontinue investment prior to meeting the expenditure requirement of the option. In addition, Vaaldiam has the exclusive right to develop any kimberlite or alluvial diamond deposits within the property which do not meet the development criteria of RTDM. In this regard, Vaaldiam has the exclusive right to market diamond production from any kimberlite or alluvial diamond deposits that it has developed for its own account.

The opportunity to earn an interest in Vaaldiam’s Pimenta Bueno property was granted to RTDM in 2003 in exchange for all of RTDM’s exploration data from the Pimenta Bueno district. In return for RTDM’s exploration database, Vaaldiam granted RTDM the limited opportunity to exercise an option to earn a 51% interest in the property. RTDM has now exercised its option on the Pimenta Bueno property following its review of Vaaldiam’s Phase I exploration program, completed in January 2005.

The exploration data acquired by Vaaldiam in November 2003 comprised four airborne magnetic and radiometric survey blocks, and included all ground geophysical, geochemical surveys data, drilling information, indicator minerals and analytical results produced during the ground exploration programs that followed. RTDM collected this exploration data during the period 1994 to 1996, prior to budget cutbacks following the RTDM – CRA amalgamation. During this two year period, RTDM’s exploration resulted in the discovery of 13 kimberlite pipes. These pipes now form part of a larger cluster of 24 pipes that are situated within the southern portion of the Pimenta Bueno property.

The acquisition and subsequent reprocessing of RTDM's exploration database allowed Vaaldiam to accelerate its exploration program on the Pimenta Bueno property. Vaaldiam currently has three drill rigs on the property, two of which are working to delineate and sample nine diamondiferous kimberlite pipes situated within a 12 kilometre by 5 kilometre area. Based on the results of this delineation drilling, RTDM expects to initiate a bulk sampling program on the highest priority pipes later this year.

Ken Johnson, President and CEO of Vaaldiam, states that *"the decision by Rio Tinto to exercise its option on our Pimenta Bueno property supports our view of the favourable diamond potential of the Pimenta Bueno district. We are extremely pleased to have Rio Tinto as a partner in this exciting project. We expect that Vaaldiam and its shareholders will benefit from Rio Tinto's considerable expertise with respect to the exploration and development of diamond deposits"*. Rio Tinto's diamond operations include the Argyle Mine in Australia, the Diavik Mine in Canada and the Murowa Mine in Zimbabwe.

Vaaldiam is a Canadian based diamond exploration company primarily involved in the exploration and development of the 176,000 hectare Pimenta Bueno diamond property in the state of Rondônia, Brazil. To date, 33 kimberlite pipes have been discovered within the property area. Twenty-four of the 33 known pipes occur in one large cluster and 15 of the 33 pipes have been found to be diamond-bearing on the basis of macro and micro diamond analyses.

Vaaldiam also holds a 100% interest in the Colorado d'Oeste diamond property to the south of the Pimenta Bueno property in the state of Rondônia, and the Alto Paraguai diamond property in the state of Mato Grosso. In addition, in an initiative aimed at generating early cash flow, Vaaldiam is completing a feasibility study of the Duas Barras alluvial diamond property in the state of Minas Gerais, which includes the processing of a bulk sample and drilling to confirm gravel resources.

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 Vaaldiam please visit www.vaaldiam.com, or contact Ken Johnson, President & CEO or Janet Reid, Manager, Investor Relations at (416) 363-6927.

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