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## **PRESS RELEASE**

### **VAALDIAM ANNOUNCES INTENTION TO ACQUIRE DIAMOND PRODUCER ELKEDRA DIAMONDS AND DIAMOND EXPLORER GREAT WESTERN DIAMONDS TO CREATE LEADING DIAMOND COMPANY**

*Largest Shareholders of Elkedra and Great Western Agree to Lock-Ups in Favour of this Strategic Initiative*

**Vaalldiam Resources Ltd. ("Vaalldiam") (TSX - VAA)** announces its intention to acquire all of the outstanding shares of diamond producer Elkedra Diamonds NL (ASX-EDN, AIM-EDN) and diamond explorer Great Western Diamonds Corp. (TSXV-GWD). The new company formed upon completion of this strategic initiative will be the dominant South American diamond producer and one of Canada's largest listed diamond companies with the following attributes:

- **Significant scale of operations:** This strategic initiative creates South America's largest diamond producer and positions Vaalldiam as a consolidator of the fragmented small and mid-tier diamond sector.
- **Diversified long-life production:** Vaalldiam will diversify its production with 100% ownership of two producing diamond mines with very attractive expansion potential. Production is expected to be:
  - 50,000 carats in 2007
  - 85,000 carats in 2008

The anticipated development of Vaalldiam's Braúna kimberlite project is expected to significantly add to this production in the coming years.

- **Unparalleled development pipeline:** In addition to being South America's largest diamond producer, Vaalldiam will hold 100% interests in 53 kimberlite deposits and control approximately 1.5 million hectares of diamond exploration concessions in Brazil and Canada, including the following advanced-stage kimberlite exploration properties:
  - Braúna Project (Bahia State, Brazil)
  - Pimento Bueno and Ariquemes projects (Rondônia State, Brazil)
  - Candle Lake and Centennial projects (Fort á la Corne, Saskatchewan)
- **Enhanced capital markets profile:** Vaalldiam will be a multi-mine diamond producer with a pro forma market capitalization in excess of \$160 million, increased liquidity and improved investor awareness attracting the attention of a broader group of international investors.
- **Experienced in-country teams:** Vaalldiam will benefit from experienced in-country development and operational teams in Brazil and highly-skilled exploration teams in Brazil and Canada, in addition to a proven management team with significant diamond industry experience.

### **THE ELKEDRA ARRANGEMENT**

Under the terms of the planned scheme of arrangement, each Elkedra shareholder will be entitled to receive 0.52 of a Vaalldiam share per Elkedra share (the "Arrangement"). The board of directors of Elkedra has voted unanimously to support the Arrangement and have agreed to

recommend the transaction to shareholders pursuant to a merger implementation deed executed with Vaaldiam. Vaaldiam and Elkedra have each agreed to pay a fee equal to 1% of the enterprise value of the other company in the event the merger does not proceed in certain circumstances. Vaaldiam has executed lock-up agreements pursuant to which a number of existing shareholders of Elkedra have agreed to vote an aggregate of 19.9 million Elkedra shares in favour of the Arrangement, representing approximately 19% of all outstanding Elkedra shares.

The Arrangement is subject to a number of conditions, including the absence of adverse material changes and receipt of all necessary regulatory, shareholder and court approvals. Full details regarding the Arrangement will be set out in a scheme booklet to be mailed to the shareholders of Elkedra in accordance with applicable securities laws. Elkedra expects to mail the scheme booklet to Elkedra shareholders in August.

## **THE GREAT WESTERN OFFER**

Under the terms of the Great Western offer, each Great Western shareholder will be entitled to receive 0.45 of a Vaaldiam share per Great Western share (the "Offer"). The board of directors of Great Western has approved the Offer and have agreed to support the transaction pursuant to a support agreement executed with Vaaldiam. Lock-up agreements have been executed pursuant to which a number of existing shareholders have irrevocably agreed to tender an aggregate of 43.6 million Great Western shares to the Offer, representing approximately 49% of all outstanding Great Western shares.

The Offer will be subject to a number of conditions, including closing of the Elkedra arrangement in accordance with its terms, absence of adverse material changes, and receipt of all necessary regulatory approvals. As well, the number of Great Western shares to be deposited under the Offer and not withdrawn at the expiry of the Offer shall constitute not less than 66⅔% of the outstanding Great Western shares on a fully-diluted basis. The support agreement provides for the payment by Great Western of a break fee of \$750,000 and an expense reimbursement fee in the amount of \$710,000 payable by Vaaldiam under certain circumstances. Full details regarding the Offer will be included in a formal take-over bid circular to be circulated to the shareholders of Great Western in accordance with applicable securities laws.

Vaaldiam's controlling shareholder also indirectly holds a control position in Great Western and for this reason the Offer is an insider bid under applicable securities laws. Accordingly, the boards of directors of both Vaaldiam and Great Western have established independent committees to review and consider the transactions.

Any Great Western shareholder that is (i) a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) or (ii) holds Great Western shares on behalf of a U.S. Person (each of (i) and (ii) a "U.S. Shareholder" and collectively the "U.S. Shareholders") shall not be entitled to receive any Vaaldiam shares in connection with the Offer. Instead, Vaaldiam shares that would have otherwise been distributed to U.S. Shareholders will be deposited with the depository and sold in the market through an orderly sale with the net cash proceeds being remitted to U.S. Shareholders."

## **ELKEDRA OVERVIEW**

Elkedra owns and operates the Chapada diamond mine in the State of Mato Grosso in Brazil, which is expected to produce 25,000 carats of diamonds in 2007, increasing to 36,000 carats annually in 2008. During the past twelve months which was the first full year of operation and included a commissioning phase, Elkedra produced 20,131 carats of gem quality diamonds at an average sales value of US\$393 per carat. The Chapada mine is known for producing large high quality diamonds evidenced by the high average size of the diamonds produced at 0.53 carats per stone with a number of diamonds larger than 20 carats having been recovered to date. The largest diamond produced to date at the Chapada operation weighed 27.35 carats, and was sold

for US\$205,125. Elkedra also holds a large area of exploration tenements in the Chapada mining area which has the potential to significantly expand output at the Chapada mine.

## **GREAT WESTERN OVERVIEW**

Great Western owns the 830,000 hectare Rondônia diamond project in Brazil, situated to the north-west of Vaaldiam's 248,000 hectare Pimenta Bueno property. The Rondônia property encompasses eight kimberlite pipes, five of which are known to be diamond-bearing based on the limited sampling completed to date and has significant potential for new kimberlite discoveries. In Canada, Great Western is engaged in a three-year detailed evaluation program of the Candle Lake project, which consists of two large macro diamond-bearing kimberlite pipes located at the northern end of the Fort à la Corne kimberlite trend, which hosts Shore Gold Inc.'s (TSX-SGF) Star and Orion properties in Saskatchewan. Great Western also is actively exploring for new kimberlite pipes on the Centennial Project located in west-central Saskatchewan and around the known diamond-bearing kimberlite fields of north-central Alberta.

## **OVERVIEW OF THE COMBINED COMPANY**

The combination of Vaaldiam, Elkedra and Great Western will create a leading diamond production, exploration and development company with a pro forma market capitalization of over \$160 million. The new company is projected to have the ability to materially fund the advanced-stage kimberlite exploration and development costs from cash flow, thereby reducing dilution to its shareholders. The combined company will have strong management expertise and the financial capacity to realize the value potential of its exploration portfolio and to capitalize on future acquisition and consolidation opportunities.

Ken Johnson, President and CEO of Vaaldiam, commented: *"The combination of Vaaldiam with Elkedra and Great Western positions our company as South America's largest diamond producer marketing high quality diamonds with a combined average sales value of over US\$300 per carat. The transaction also strengthens our management, operational and technical teams to clearly establish Vaaldiam as a leader in the diamond sector. The unique combination of the assets of Vaaldiam, Elkedra and Great Western provides all three companies' shareholders with the benefits of high value production to accelerate the exploration and development of our pipeline of exploration projects ranging from early exploration stage kimberlite projects through to feasibility stage projects."*

Sam Randazzo, Elkedra's Executive Director, said today: *"The proposed bid from Vaaldiam creates an exciting opportunity for Elkedra shareholders. The combined group will be a clear leader in the South American diamond sector with significant production of high quality gem diamonds. Importantly, it also offers our shareholders immediate exposure to a number of advanced kimberlite projects in Brazil and Canada and brings together management teams with a proven track record in exploration, project development and mine operations. This is evidenced by the successful implementation of the Chapada project by Elkedra and the Duas Barras project by Vaaldiam."*

Brent Jellicoe, Great Western's President and CEO, said today: *"The proposed bid from Vaaldiam creates a vertically integrated production and exploration company poised to capitalize on a wealth of diamond projects, in-house technical expertise, and management experience. The combined corporate entity has the size and strength to fund high-potential projects in both Brazil and Canada resulting in significant value added to shareholders from year-round field operations that substantially reduce risk in all facets of our exploration profile. For these reasons, the proposed bid presents a substantial opportunity for Great Western shareholders to participate in building a strong new diamond exploration and development company."*

Vaaldiam's financial advisor is Canaccord Capital Corporation, its Canadian legal advisor is Fogler, Rubinoff LLP, its Australian legal advisor is Gadens Lawyers and its Brazilian advisor is Veirano Advogados. Strategic advisory services are also being provided to Vaaldiam by National

Bank Financial and Westwind Partners Inc. Legal advisors to Elkedra are Minter Ellison Lawyers. Financial and legal advisors to Great Western are Wellington West Capital Markets and Robertson Stromberg Pedersen LLP, respectively.

#### INVESTOR AND ANALYST CONFERENCE CALL

The investment community is invited to participate in Vaaldiam's conference call as follows:

Wednesday, July 4th, 2007 at 11:00 p.m. (EDT)

Toll Free (North America): 866-542-4236

Local/International: 416-641-6126

The conference call will be available for replay until July 18, 2007 by calling:

Toll free (North America): 1-800-408-3053

Local/International: 416-695-5800

Passcode: 3227809 #

The presentation that corresponds with the conference call is available via the Internet by visiting [www.Vaaldiam.com/presentations](http://www.Vaaldiam.com/presentations). It will remain archived on the site.

This release has been reviewed by José Ricardo Pisani, Vice President, Exploration who is Vaaldiam's 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 and Chief Executive Officer or Janet Reid, Manager Investor Relations at (416) 363-6927.

*This news release may contain forward looking statements, being statements which are not historical facts, including, without limitation, statements regarding the proposed acquisition of Elkedra by Vaaldiam, the proposed acquisition of Great Western by Vaaldiam and discussions of future plans and objectives. There can be no assurance that such statements will prove accurate. Such statements are necessarily based upon a number of estimates and assumptions that are subject to numerous risks and uncertainties that could cause actual results and future events to differ materially from those anticipated or projected. Important factors that could cause actual results to differ materially from Vaaldiam's expectations are in Vaaldiam's documents filed from time to time with the Toronto Stock Exchange and provincial securities regulators, most of which are available at [www.sedar.com](http://www.sedar.com). Vaaldiam disclaims any intention or obligation to revise or update such statements.*

*The following factors, among others, related to the proposed acquisition of each of Elkedra and Great Western and future plans and objectives could cause actual results or developments to differ materially from the results or developments expressed or implied by forward looking statements: the Vaaldiam shares to be issued in connection with the Elkedra offer or the Great Western offer may have a market value lower than expected; the businesses of Vaaldiam and Elkedra and the businesses of Vaaldiam and Great Western may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; the expected combination benefits from the acquisition of each of Elkedra and Great Western may not be fully realized by Vaaldiam or not realized within the expected time frame; Vaaldiam cannot determine the number of Elkedra shareholders or Great Western shareholders who may accept the Elkedra offer or the Great Western offer, respectively; the possible delay in the completion of the steps required to be taken for the acquisition of either Elkedra or Great Western and the ultimate combination of Vaaldiam with each of Elkedra and Great Western.*