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PRESS RELEASE

DRILLING OUTLINES 430,000 CARAT RESOURCE AT DUAS BARRAS

Vaalldiam Resources Ltd. (VAA – TSX) reports that delineation drilling and bulk sampling on the Duas Barras property (75% interest) has defined an indicated and inferred gravel resource of approximately 2.7 million bank cubic metres at an estimated grade of 0.16 carats/m³, representing an in-situ resource of approximately 430,000 carats of diamonds. The total estimated resource includes both the basal gravels which lie directly on bedrock, and the overlying, lower-grade, transitional gravels.

Resource Classification	Estimated Gravel Volume (m³)	Estimated Diamond Grade (ct/m³)	Estimated In-situ Resource (ct)
Indicated Resource	1,683,000	0.16	269,300
Inferred Resource	1,015,000	0.16	162,400
Indicated + Inferred Resource	2,698,000	0.16	431,700

Ken Johnson, President of Vaalldiam commented that *“we are extremely pleased with the results of the resource estimation considering that only two-thirds of the property has been tested by drilling. Based on the planned production rate as defined by our project engineers, the total estimated resource will be sufficient to support an operation for a period of at least ten years at an annual production rate of 38,000 to 40,000 carats. Additional drilling and bulk sampling, which will be completed during the production phase at Duas Barras, has potential to add to this resource, allowing a future expansion of the planned production rate”*.

Project engineers, Multigeo-Mineração, Geologia e Meio Ambiente Ltda. of São Paulo, Brazil have completed the design of the full-scale diamond recovery plant to be constructed at Duas Barras. Multigeo’s processing plant design provides for a run-of-mine throughput rate of approximately 80 m³/hour of mined gravel, equivalent to an annual rate of approximately 240,000 bank m³ of gravel, yielding an estimated 38,000 carats/year. Construction of the diamond recovery plant at Duas Barras is planned to commence at the end of August, and commissioning is expected during Q4-2006.

The Duas Barras alluvial diamond deposit comprises a sequence of accumulation and lag gravels that lie along the outside bend of the Jequitinhonha River in the historic Diamantina diamond district, Minas Gerais, Brazil. A total of 152 percussion drill holes has delineated the deposit at 50 metre spacings over a distance of 1.7 km. An additional 12 drill holes have tested the southern portion of the deposit at a grid spacing of 100 m.

To provide a diamond grade estimate for the deposit, Vaalldiam has completed a bulk sampling program which involved the processing of 906 m³ (approximately 1,660 tonnes) of transitional and basal gravels excavated from pits at two separate locations.

The initial bulk sample at Pit # 1 tested the larger, northern arm of the deposit, and yielded 129 diamonds totaling 30.67 carats from 132.6 m³ (approximately 239 tonnes) of basal gravel for a recovered grade of 0.23 ct/m³ or 12.85 cph. Individual diamonds ranged in size from 0.10 carats to 1.24 carats, and averaged of 0.24 ct/stone (previously reported on December 7, 2005). The targeted basal gravels are overlain by a transitional gravel sequence that is less diamond-bearing. Processing of 551 m³ (approximately 993 tonnes) of this upper horizon recovered 174 diamonds with a total weight of 37.20 carats. Individual samples within this sequence ranged from

0.05 ct/m³ to 0.11 ct/m³ against the average grade and stone size of 0.07 ct/m³ and 0.21 carats, respectively.

Pit # 1 tested an area of the deposit that was adjacent to the site of previous mining operations by Vaaldiam's joint venture partner Mineração Marly Ltda. (25% interest). In 2002 Marly reportedly recovered 1,108.34 carats of diamonds from 4,263 m³ (approximately 7,673 tonnes) of gravel, equating to a grade of 0.26 ct/m³ or 14 cpht. According to Marly's records, these diamonds were sold during 2002 for a total proceed of US\$246,346, an average sales value of US\$222/ct.

Pit # 2, excavated 400 m to the southwest of Pit #1, yielded 93 diamonds weighing 41.90 carats from two gravel samples totaling 221.4 m³: a recovered grade of 0.19 ct/m³, or approximately 11 cpht, with an average size of 0.45 ct/stone.

The following table presents the final results of the above-mentioned bulk sampling program at Duas Barras.

Bulk Sample	Sample Volume (m ³)	Sample Volume (tonnes)	Diamonds Recovered	Total Weight (Carats)	Recovered Grade (ct/m ³)	Recovered Grade (cpht)	Average Stone Size (cts/ stone)
<u>Pit # 1</u> Transitional Gravels	551.6	992.8	174	37.2	0.07	3.75	0.21
<u>Pit # 1</u> Basal Gravels	132.6	238.7	129	30.67	0.23	12.9	0.24
<u>Pit # 2</u> Transitional Gravels	179.0	320.4	55	19.23	0.11	6.00	0.35
<u>Pit # 2</u> Basal Gravels	42.4	75.9	38	22.67	0.53	29.86	0.59

Test work is underway to determine the gold content of the diamond-bearing gravels included in the resource. Heavy mineral concentrates produced during the processing of the fine <2 mm fraction of the bulk sample plant feed, currently are being analyzed to determine the in-situ grade and expected metallurgical recovery of the finely-sized, by-product gold.

A plan showing the distribution of the identified resources, the position of the drill holes delineating the deposit, and the location of the bulk samples is available on the Company's website at <http://www.vaaldiam.com/pagefind.php?id=4>. The resource has been estimated by Mr. Paul Daigle, P.Geo., Senior Project Geologist for Vaaldiam, who was responsible for the delineation drilling program at Duas Barras. The resource estimation is compliant with Canadian National Instrument 43-101 and the 2004 CIM Standards for Mineral Resources. The estimate has been independently audited and confirmed by Dr. Richard H.T. Garnett, C.Eng., an alluvial mining specialist with over 45 years of industry experience. In undertaking his review of the project, Dr. Garnett visited Duas Barras in April 2006, observed the drilling activities and examined the gravels and diamonds recovered.

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, or contact Ken Johnson, President & C.E.O. or Janet Reid, Manager, Investor Relations at (416) 363-6927.

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